

COUNTY OF
CAMPBELL, VIRGINIA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

COUNTY OF CAMPBELL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-5
Certificate of Achievement for Excellence in Financial Reporting	7
Directory of Principal Officials	9
Organizational Chart	11
FINANCIAL SECTION	
Independent Auditors' Report	13-14
Management's Discussion and Analysis	15-25
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	31
Exhibit 2 Statement of Activities	32-33
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	37
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds	38
Exhibit 5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39
Exhibit 6 Statement of Net Assets—Health Insurance Fund	40
Exhibit 7 Statement of Revenues, Expenses, and Changes in Net Assets— Health Insurance Fund	41
Exhibit 8 Statement of Cash Flows—Health Insurance Fund	42
Exhibit 9 Statement of Fiduciary Net Assets—Fiduciary Funds	43
Notes to Financial Statements	45-75

COUNTY OF CAMPBELL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
FINANCIAL SECTION (CONTINUED)	
<u>Required Supplementary Information:</u>	
Exhibit 10	Schedule of Revenues, Expenditures, and Changes in Fund Balances— General Fund—Budget and Actual
	79-81
Exhibit 11	Schedule of Revenues, Expenditures, and Changes in Fund Balances— Solid Waste Fund—Budget and Actual
	82
Exhibit 12	Schedule of Pension Funding Progress for the Virginia Retirement System
	83
Exhibit 13	Schedule of Funding Progress for Other Post-Employment Benefits
	84
<u>Other Supplementary Information:</u>	
Exhibit 14	Schedule of Revenues, Expenditures, and Changes in Fund Balances— Capital Projects Fund—Budget and Actual
	87
Exhibit 15	Schedule of Revenues, Expenditures, and Changes in Fund Balances— School Construction Capital Projects Fund—Budget and Actual
	88
Exhibit 16	Combining Statement of Fiduciary Net Assets—Agency Funds
	89
Exhibit 17	Combining Statement of Changes in Assets and Liabilities—Agency Funds
	90
Exhibit 18	Combining Balance Sheet—Discretely Presented Component Unit- School Board
	91
Exhibit 19	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds—Discretely Presented Component Unit -School Board
	92
Exhibit 20	Schedule of Revenues, Expenditures, and Changes in Fund Balances— Discretely Presented Component Unit School Board—School Operating Fund-Budget and Actual
	93
Exhibit 21	Statement of Net Assets—Proprietary Fund - Discretely Presented Component Unit-Industrial Development Authority
	94
Exhibit 22	Schedule of Revenues, Expenditures, and Changes in Fund Balances— Discretely Presented Component Unit—Industrial Development Authority
	95
Exhibit 23	Statement of Cash Flows—Discretely Presented Component Unit— Industrial Development Authority
	96

COUNTY OF CAMPBELL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
STATISTICAL SECTION:	
Table 1 Net Assets by Component	99
Table 2 Changes in Net Assets	100-101
Table 3 Fund Balances of Governmental Funds	102
Table 4 Changes in Fund Balances of Governmental Funds	103
Table 5 Assessed Value and Estimated Actual Value of Taxable Property	104
Table 6 Principal Property Taxpayers	105
Table 7 Property Tax Levies and Collections	106
Table 8 Ratios of Total Outstanding Debt	107
Table 9 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	108
Table 10 Principal Employers	109
Table 11 Demographic and Economic Statistics	110
Table 12 Full-Time Equivalent County Government Employees by Function	111
Table 13 Operating Indicators by Function	112
Table 14 Capital Assets Statistics by Function	113
COMPLIANCE SECTION:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	115-116
Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	117-118
Schedule of Expenditures of Federal Awards	119-120
Notes to Schedule of Expenditures of Federal Awards	121
Schedule of Findings and Questioned Costs	122

SUPERVISORS

CHARLES W. FALWELL
STANLEY I. GOLDSMITH
EDDIE GUNTER, JR.
HUGH T. PENDLETON, JR.
J.D. PUCKETT
HUGH W. ROSSER
STEVEN M. SHOCKLEY

COUNTY OF CAMPBELL



BOARD OF SUPERVISORS
POST OFFICE BOX 100, RUSTBURG, VIRGINIA 24588
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COUNTY ADMINISTRATOR
R. DAVID LAURRELL

ALTAVISTA (434) 592-9525
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November 22, 2010

To the Honorable Members of the Board of Supervisors
To the Citizens of Campbell County
County of Campbell, Virginia

We are pleased to present the Comprehensive Annual Financial Report of the County of Campbell, Virginia, (the "County"), for the fiscal year ended June 30, 2010. This report was prepared by the County's Department of Management Services. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls: In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general fund and capital projects funds are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations.

The County adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds.

When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The County of Campbell report includes all funds of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified two discrete component units. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board and the Industrial Development Authority are reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government. The IDA is a legally separate organization providing economic development services to the County whose board is appointed by the County Board of Supervisors. In addition, the IDA imposes a financial burden on the County.

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION

During FY 2010, Campbell County remained relatively stable during the continuation of very troubling worldwide economic times. There were no significant decisions made to expand employment or locate new companies, but there were significant numbers of inquiries indicating companies were preparing to move once the economy rebounds. Fortunately, there were no announced closings of facilities or significant layoffs during FY 2010.

During FY2010, Campbell County’s unemployment rate ranged from a low of 6.3% (Oct. 2009) to a high of 8.4% (January 2010), with an average rate of 7.2%. During FY2010, Campbell County continued to experience marginally higher unemployment rates on average than Virginia (6.95%), but significantly lower rates than the national average (9.76%).

Campbell County’s existing industrial sectors include pharmaceutical, automotive, furniture, textile, nuclear fuel, nuclear engineering, metal fabrication, printing, plastics, agricultural, banking/finance, forest products, and trucking.

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION: (CONTINUED)

Agriculture continues to be important to the local economy, though tobacco farming continues to decline. The 2007 Census of Agriculture released by the USDA in September 2009 reported total sales of agricultural products in Campbell County increased to \$25,345,000 - a 62.6% increase in sales from the 2002 census. The 2007 Census also reported that livestock operations have grown substantially to 87.3% of total farm operations while tobacco farming has declined to only 2.5% of total farm operations. Other crops (grains, vegetables, etc.) account for the remaining 10.2% of total farm operations. While the number of farms reported increased from 664 (2002 year) to 722 (2007 year), the average acreage per farm decreased slightly from 209-acres (2002 year) to 194-acres (2007 year). The total number of farm acres has increased from 138,716-acres in 2002 to 140,359-acres in 2007, though slightly lower than the 140,671-acres reported in 1997.

The total reported value of residential construction for permits issued in FY2010 was down 17% from FY2009 and down 60% from FY2008. The total reported value of all types of construction for permits issued in FY2010 was down 45% from FY2009 and down 57% from FY2008.

FY 2010 Major Economic Development Department Accomplishments

- **Business Appreciation Week-** During the week of May 17-21, Campbell County mailed over 3,000 appreciation letters to local businesses and hosted its 7th Annual BAW Luncheon. Approximately 95 were in attendance at the luncheon, including major county employers and both local and state officials. Bob Bailey, Director of the Center for Advanced Engineering and Research was the guest speaker.
- **Tobacco Agriculture Grants** - Phase II of the Tobacco Beef Initiative project was completed. During FY09 and FY10, seven (7) Campbell County producers received reimbursement for their participation in this project. A total of fifty one (51) producers participated in the program, which included participants from the localities of Campbell, Cumberland, Appomattox, Bedford, and Buckingham. Total grant reimbursements were \$164,104 to 51 producers.

In FY10 the Tobacco Commission approved a Commodity Storage Grant that Campbell County will administer. This is a regional grant that will provide benefits to 13 different localities in the form of reimbursable agricultural grants for feed and commodity storage projects. The grant total is \$500,000 of which Campbell County producers will receive at least \$36,300.

- **Tobacco Economic Development Grant-** We applied for and received a grant in the amount of \$292,549 for Phase I of a sewer line in Seneca Commerce Park.
- **Broadband Master Plan-** We worked with Information Technology and Community Development to formulate and present a county master plan for Broadband.

OTHER MAJOR INITIATIVES

For fiscal year 2010: The Goals and initiatives as established by the Campbell County Board of Supervisors as guided by the County Administrator and implemented and completed by staff resulted in a more cost efficient government along with enhanced lifestyle and increased employment opportunities.

Major initiatives begun, continued, or completed during this fiscal year are:

- Completion of the extension of public water service from Rustburg to Concord to provide a long term viable water source to the residents and businesses in the Concord area.
- Completion of the renovation and construction of Concord Elementary School; the last school facility in the County's long term facility Capital Improvement Plan to begin.
- Completion of the construction on the County's new Citizens Services Building. This facility will provide a single point of access to the vast majority of services utilized by County citizens and visitors.
- Completion of the construction on the County Courthouse renovation and addition.
- Completion of the construction of a new maintenance building.
- Completion of the construction of the renovated landfill gas collection system.
- Registrar's Office implemented new electronic poll book technology to streamline access to voter registration information on Election Day.
- The Library implemented a mobile computer lab to begin teaching computer literacy throughout the county.
- The Library secured electronic assets to provide test preparation, skill improvement, and academic remediation courses online.
- The Library secured electronic assets to provide "one-stop" career transition services, from career identification, resume development, interview tips, and real time cumulative job searches.
- Implemented a formal volunteer program for the Library to include seniors, teens, and college students.
- The Library implemented a Computer Tutor program providing volunteer teaching of computer skills to the public.
- Provided assistance to the U.S Census Bureau for the taking of the 2010 census.
- Installed a electronic document imaging system in the Sheriff's Office, Commonwealth Attorney Office and county department of human resources.
- Registrar's Office converted from paper poll books to electronic poll books for elections.
- Campbell County completed a Broadband Master Plan which provided the identification of existing broadband availability and improvements needed; determination of responsibility for broadband deployment, a review of existing and identification of additional vertical assets; and, details on changes recommended to the zoning section of the County Code.
- The Communications System Hardening Project has progressed with the installation of new antennas placed on Johnson and Long Mountain. The microwaves are on order and will soon be installed. New channels will then be placed in responder radios.

PROPERTY TAX RATES

All local tax rates and fees for services rates remained the same as the previous year.

GOVERNMENT'S FINANCIAL POLICIES

The County experienced a significant reduction in funding from the State in FY2009 and FY2010. This reduction in funding was addressed by the County tightly monitoring expenditures to ensure that expenditures were reduced in direct proportion to the reduction in State funding. This was accomplished in part due to the County instituting for much of the year a mandatory rolling vacancy program of 1 year for open staff positions before the open positions could be filled. During the FY 2010 budget in the spring of 2009 the Board of Supervisors adopted a strategy to build up fund reserves through the use of heightened expenditure controls. A portion of those additional fund reserves would be used as needed as part of a step-down strategy over a period of four years to offset revenue losses due to the weakened economy to help offset service delivery reductions until the economy improves. This adopted fund reserve strategy continues to be in place.

OTHER INFORMATION

Management's Discussion and Analysis: Generally accepted accounting principles require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Campbell's MD&A can be found immediately following the report of the independent auditors.

Independent Audit: The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

Certificate of Achievement: In order to be awarded a Certificate of Achievement from the Government Finance Officers Association, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The County has been the recipient of this prestigious award for the last six successive years.

Acknowledgments: The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Management Services. We would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner. In addition we would like to thank the Treasurer's Office, Commissioner of the Revenue, Real Estate Office, Community Development, Economic Development and other employees for their assistance in the preparation of this report.

Respectfully submitted,



R. David Lurrell
County Administrator



Alan C. Lane
Director of Management Services

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Campbell
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

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COUNTY OF CAMPBELL, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2010

BOARD OF SUPERVISORS

Hugh W. Rosser, Chairman
Steven W. Shockley, Vice-Chairman

Charles Falwell
Stanley I. Goldsmith
Eddie Gunter, Jr.

Hugh T. Pendleton, Jr.
James D. Puckett

COUNTY SCHOOL BOARD

G. Roger Akers, Chairman
Gary R. Mattox, Vice-Chairman

Donald T. Roberts
George Jones
Susan Hogg

R. Leon Brandt, Jr.
Barry A. Jones

COUNTY LIBRARY BOARD

Ernest Bender, Chairman
Virginia Laughlin, Vice-Chairman

Rita Clark
Ricky E. Jones
Betsy Keaton

Charlotte Lane
Frank Lukanich, Jr.

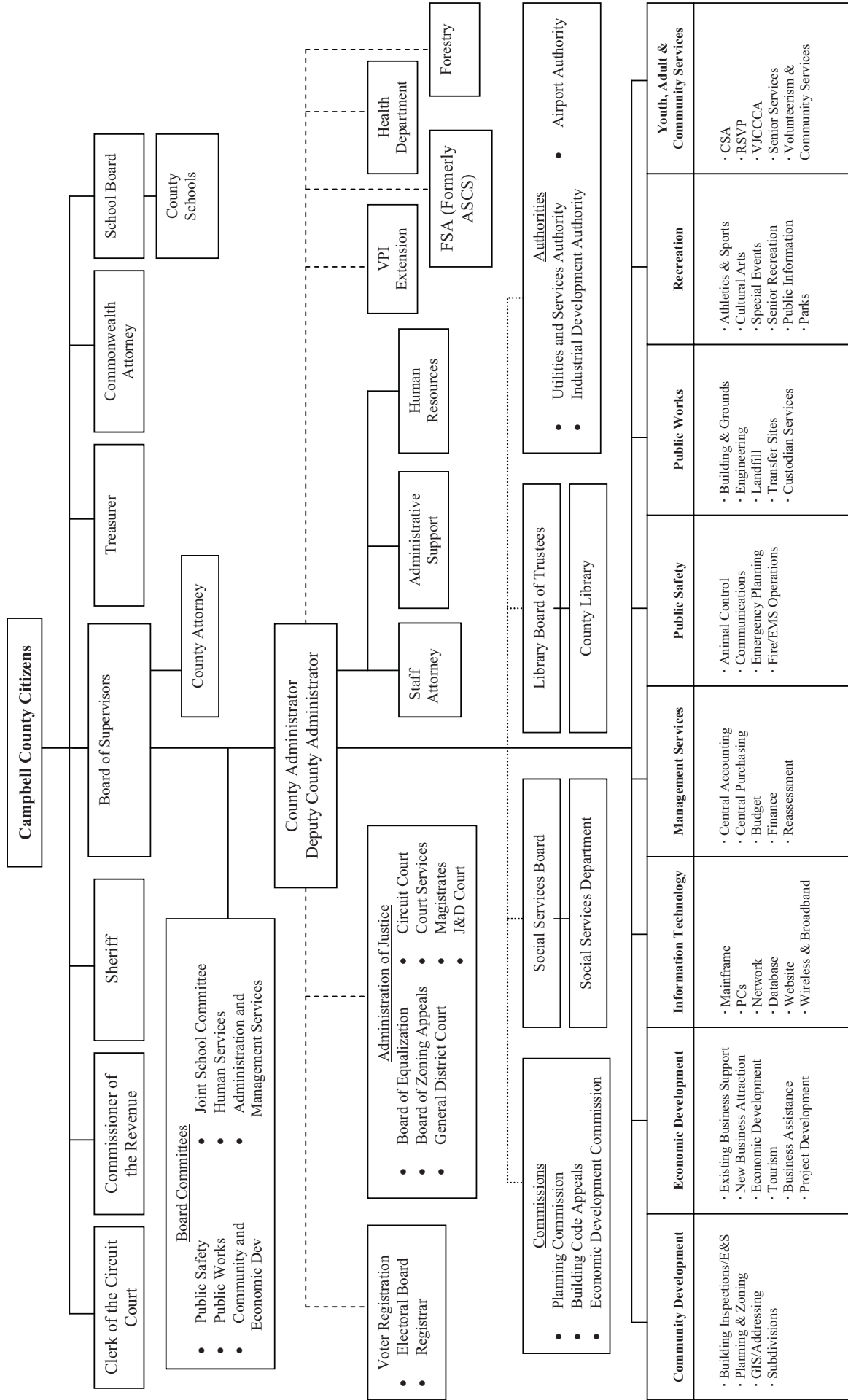
OTHER OFFICIALS

Judge of the Circuit Court
Judge of the Circuit Court
Clerk of the Circuit Court
Judge of the General District Court
Judge of the Juvenile & Domestic Relations Circuit Court
Commonwealth's Attorney
County Attorney
Commissioner of the Revenue
Treasurer
Sheriff
Superintendent of Schools
Social Services Director
Library Director
County Administrator

J. Michael Gamble
John T. Cook
Deborah E. Hughes
R. Patrick Yeatts
A. Ellen White
Neil S. Vener
David W. Shreve
Calvin C. Massie, Jr.
Robin T. Jefferson
Terry E. Gaddy
Dr. Robert Johnson
Richard M. Verilla
Nan Carmack
R. David Laurell

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CAMPBELL COUNTY, VIRGINIA – ORGANIZATIONAL CHART 2009



Revised 1/2009

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of the Board of Supervisors County of Campbell, Virginia

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, Virginia as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 25 and the required supplementary information on pages 79 through 84 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, the combining and individual fund statements and schedules listed in the table of contents as other supplementary information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the County's basic financial statements. The combining and individual fund statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Campbell, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$52,062,949 (net assets). During the current fiscal year, the County's net assets decreased in the amount of \$24,582.
- The County's combined funds reported year ending fund balances of \$29,841,653 which represents a decrease of \$4,684,245 from the previous fiscal year ending period. Approximately forty-four percent of the year ending combined fund balances, or \$13,153,966, is available for spending at the County's discretion (unreserved, undesignated fund balance). The decrease in the fund balances is primarily due to the payment of capital construction invoices for three ongoing capital projects; the renovations and additions to Concord Elementary School, the renovations and additions to the County courthouse and County building complex, and the Rustburg to Concord waterline. Bond proceeds issued to fund these three capital projects were received in June 2008.
- At the end of the current fiscal year, the unreserved, undesignated fund balance for the general fund of \$13,760,966 represented 24.9% percent of total general fund expenditures for the year. The undesignated general fund balance does not take into consideration Board actions taken during the budget process for FY2011 whether approved before or after the end of current fiscal year FY2010. For comparison purposes the undesignated general fund balance after all Board approved actions for the opening FY2011 budget totals \$11,901,683.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Overview of the Financial Statements: (Continued)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government administration, public safety, administration of justice, education, health and welfare, planning and community development and parks, recreation, and cultural activities.

The government-wide financial statements include not only the County of Campbell, Virginia itself (known as the primary government), but also a legally separate school district and an Industrial Development Authority for which the County of Campbell, Virginia has incurred a moral obligation to provide funding for the payment of debt. Financial information for these component units is reported separately from the financial information present for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Campbell, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - *Governmental funds* are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Solid Waste Management Fund, the General Capital Projects Fund, and the School Construction Capital Projects Fund, all of which are considered to be major funds.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund, the Special Revenue Fund the Capital Projects Funds, and the School Construction Projects fund to demonstrate compliance with this budget.

Proprietary funds - The County maintains one proprietary fund - the Health Insurance Fund. The Health Insurance Fund is an internal service fund and is used to account for costs of providing health and dental insurance to employees. Proprietary funds use the accrual basis of accounting, similar to a private sector business. These funds are restricted in their use for current and future health related costs only, including a reserve to meet future retiree obligations.

Fiduciary funds - The County is the trustee, or fiduciary agent, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Overview of the Financial Statements: (Continued)

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for two discretely presented component units consisting of the School Board and the IDA. The School Board does not issue separate financial statements. The IDA also does not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$ 52,062,949 at the close of the most recent fiscal year.

The largest portion of the County's net assets of \$28.3 million (54.3 percent of total) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the County's net assets is \$23.8 million (45.7 percent of total) and primarily consists of cash, cash equivalents and investments.

	Governmental Activities	
	2010	2009
Current and other assets	\$ 56,876,336	\$ 63,420,044
Capital assets	84,551,345	82,253,764
Total assets	\$ 141,427,681	\$ 145,673,808
Long-term liabilities *	\$ 64,823,722	\$ 67,812,486
Current liabilities	24,538,010	25,773,791
Total liabilities	\$ 89,361,732	\$ 93,586,277
Net assets:		
Invested in capital assets, net of related debt	\$ 28,284,570	\$ 31,775,484
Unrestricted	23,778,379	20,312,047
Total net assets	\$ 52,062,949	\$ 52,087,531

NOTE*: Long Term Liabilities Outstanding* is net of adjustment downward for \$3,104,042 for derivative instrument liability for interest rate swap related to the 2008 bond issue. For more information refer to Note 7.

At the end of the current fiscal year, the County is able to report positive balances in all categories of net assets.

Government-wide Financial Analysis: (Continued)

During the current fiscal year, the County's net assets decreased in the amount of \$24,582. Capital assets net of depreciation increased by \$2,297,581 due to capital construction projects in FY2010 carried over for completion from the previous fiscal year. Cash, cash equivalents, and investments decreased by \$6,083,455 in the Governmental Activities primarily due to payments for invoices for these capital projects under construction. Landfill Closure/Post Closure liabilities decreased by \$96,582 as cost factors utilized in computing this liability were revised downward based on a recent review by an outside engineering firm. The net OBEP obligation for the primary government recorded as of June 30, 2010 was \$835,336 covering post retiree costs for health insurance benefits as required by GASB Statement Number 45. This represents an increase of \$415,513 for this obligation from the previous fiscal year end.

Additionally, \$778,397 was spent to complete the Rustburg/Concord waterline capital project. This construction project is not capitalized by the County as the waterline will be owned and operated by the Campbell County Utilities Services Authority.

The Health Insurance Fund net assets amount decreased by \$181,869 primarily as a result of health insurance claims costs and related administrative costs exceeding the premium contributions paid into this fund by this amount.

Governmental Activities: Governmental activities decreased the County's net assets by \$24,582. Key elements of this nominal decrease are summarized in the table on the following page.

	Governmental Activities	
	2010	2009
Program Revenues:		
Charges for services	\$ 12,314,652	\$ 12,284,844
Operating grants and contributions	11,558,109	12,425,500
Capital grants and contributions	585,146	246,851
General Revenues:		
General property taxes	29,816,678	29,695,573
Other local taxes	8,520,653	10,044,925
Use of money and property	397,787	1,047,057
Grants and contributions not restricted	4,914,103	4,013,350
Miscellaneous revenue	283,326	351,051
Gain (loss) on sale of capital assets	-	(507,274)
Total revenues	\$ 68,390,454	\$ 69,601,877
Expenses		
General government administration	\$ 12,928,427	\$ 13,001,378
Judicial administration	1,708,920	1,637,800
Public safety	13,092,272	11,261,624
Public works	5,397,503	7,721,687
Health and welfare	9,613,637	10,582,093
Education	19,502,314	18,207,914
Parks, recreation and cultural	2,083,747	1,866,239
Community development	1,572,293	2,139,309
Interest and other fiscal charges	2,515,923	2,568,222
Total expenses	\$ 68,415,036	\$ 68,986,266
Change in net assets	(24,582)	615,611
Net assets, beginning	\$ 52,087,531	\$ 51,471,920
Net assets, ending	\$ 52,062,949	\$ 52,087,531

Government-wide Financial Analysis (Continued)

Revenues for governmental activities for all primary government funds for the year on a combined basis fell short of expenses in the amount of \$24,582 including current year depreciation on capital assets. Current year depreciation expense for capital assets for the primary government totaled \$3,463,658. Revenues for governmental activities decreased by \$1,211,423; whereas, expenses decreased by \$571,230.

EXPENSES

- Increase in Public Safety of \$1,830,648 which also includes law enforcement. Payments to the Regional Jail and the Juvenile Detention facility increased by a total of \$783,074 due to the need for increased utilization of these two facilities. The Emergency Medical Services department (EMS) increased in cost in the amount of \$399,075 primarily due to the additions of paid EMT positions to augment the volunteer rescue squads. Additionally, \$528,995 was distributed to the seven volunteer rescue squads from the EMS revenue billing proceeds. The increased EMS expenditures including the distributions to the volunteer rescue squads were offset by increased revenues for the County based on the billing revenue charged for these services.
- Increase in Education expenses of \$1,294,400 resulting primarily in the form of the transfer from the General Fund to the Schools Operating Fund used to help offset reductions in state funding for Schools. However, the transfer to the Schools from the General Fund was still well below what was budgeted in the current fiscal year.
- Decrease in Public Works of \$2,324,184 due primarily to capital projects being completed that were begun in the prior fiscal year and earlier. Expenditures for these capital projects reached their maximum level in the prior fiscal year. Additionally, \$778,397 was spent to complete the Rustburg/Concord waterline capital project. This construction project is not capitalized by the County as the waterline is owned and operated by the Campbell County Utilities Services Authority.
- Decrease in Health & Welfare of \$968,456 primarily due to reductions in expenditures for Comprehensive Services Act (Children at Risk) services due to a substantial decline in the number kids requiring these services. Expenditures for CSA decreased by \$771,901. Additionally, expenditures for Public Assistance Services decreased by \$374,934 based on reduced utilization for some of these programs offered. Both CSA and Public Assistance Services are primarily funded by State and Federal funding.

PROGRAM/GENERAL REVENUES

- Decrease in operating grants and contributions in Health & Welfare received from the State associated with the Comprehensive Services Act (Children at Risk) in the amount of \$490,104 due to the reduction in corresponding expenses resulting from a substantial decline in the number kids requiring these services. Additionally, funding received from the State and Federal government for reimbursement of expenditures for Public Assistance Services programs decreased significantly in total based on reduced utilization for some of these programs offered. Additionally, the State substantially cut funding to the County for the Constitutional Offices as well as the Library and the Registrar's Office.
- Decrease in revenues of \$649,270 related the use of money and property primarily due to lower available investment rates of return for our investments. Additionally, monies invested and residing in the escrow account from our 2008 bond issue proceeds have been depleted in order to pay construction invoices for these large debt funded capital projects that were completed in the fiscal year just ended.
- Local tax revenues (less communication taxes) amounted to \$38,337,331 and generated a small increase of \$48,749 or 0.1% from the prior year. All tax rates remained the same as the prior year. Local taxes comprise 56% of total General Fund revenue sources. Commencing in fiscal year 2010, the communication tax revenue is reported as noncategorical aid, as required by guidance from the Auditor of Public Accounts. In prior years communication tax revenue was reported as other local taxes.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

Approximately forty-four percent of the combined governmental fund balance, or \$13,153,966, constitutes unreserved, undesignated fund balances, which are available for spending at the County's discretion. The remainder of fund balance is reserved or designated to indicate that is not available for new spending because it has already been committed for:

- Capital improvement projects
- Education encumbrances and carryovers for expenditures
- Other encumbrances and carryovers for expenditures

Unreserved, undesignated fund balance of the general fund was \$13,760,966, while the total general fund balance was \$23,553,502. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures on an annualized basis. Unreserved, undesignated general fund balance represents 24.9 percent of total general fund expenditures, while total fund balance represents 42.5 percent of total general fund expenditures.

GENERAL FUND: The general fund balance increased by \$2,154,787 during the current fiscal year, or 10.1%. The general fund undesignated/unreserved fund balance increased by \$876,562. General fund expenditures and transfers to other funds decreased \$1,929,200 from the prior year. General fund revenues and transfers from other funds were down by \$611,901 from the prior year. Total revenues exceeded expenditures and transfers combined by \$2,154,787.

The largest expenditure increase of \$1,808,207 occurred in Public Safety which also includes law enforcement. Payments to the Regional Jail and the Juvenile Detention facility increased by a total of \$783,074 due to the need for increased utilization of these two facilities. The Emergency Medical Services department (EMS) increased in cost in the amount of \$399,075 primarily due to the additions of paid EMT positions to augment the volunteer rescue squads. Additionally, \$528,995 was distributed to the seven volunteer rescue squads from the EMS excess revenue billing proceeds received in earlier years. The increased EMS expenditures including the distributions to the volunteer rescue squads were offset by increased revenues for the County based on the billing revenue charged for these services. Education expenditures in the form of the transfer from the General Fund to the Schools Operating Fund increased \$1,085,086 from the prior year and was used to help offset reductions in state funding for Schools. However, the transfer to the Schools from the General Fund was still well below what was budgeted in the current fiscal year. Debt service payments increased by \$306,534 due to increased principal payments associated with the 2008 VML/VACO Finance Program bond issue in the amount of \$34.3 million that was used to fund renovations and additions to Concord Elementary School, the County Courthouse and Office Complex as well as the Waterline Extension from Rustburg to route 460. The largest expenditure decrease of \$1,130,774 occurred in Health & Welfare primarily due to reductions in expenditures for Comprehensive Services Act (Children at Risk) services due to a substantial decline in the number kids requiring these services. Expenditures for CSA decreased by \$771,901. Additionally, expenditures for Public Assistance Services decreased by \$374,934 based on reduced utilization for some of these programs offered. Both CSA and Public Assistance Services are primarily funded by State and Federal funding.

General fund revenues and transfers from other funds were down by \$611,901 from the prior year. State and Federal funding received for CSA decreased in the amount of \$490,104 due to decreased need for utilization of the CSA program. Local tax revenues amounted to \$38,399,276 and generated a small increase of \$149,814 or 0.4% from the prior year. All tax rates remained the same as the prior year. Local taxes comprise 65% of total General Fund revenue sources.

Financial Analysis of the County's Funds: (Continued)

SOLID WASTE MANAGEMENT FUND: Funding for the Solid Waste Management Fund for FY10 totaled \$1,629,112 with \$599,756 of this amount coming from transfers in from the General Fund. Funding of \$994,352 came in the form of Revenue Recovery as the County's portion of the excess of revenues versus expenses for the year as recorded by the Region 2000 Services Authority for Solid Waste Management. All other forms of revenue for this fund on a combined basis totaled \$24,197.

Expenditures for the County's Solid Waste Management Fund totaled \$2,739,146 for the year. Tipping fees of \$536,280 were paid to the Region 2000 Services Authority for solid waste received at the regional landfill from County citizens. Transfer site operations throughout the County cost \$535,664 for the year which included delivery costs of trash to the regional landfill. In-House Construction for small projects cost \$161,515 while landfill environmental compliance and legal costs totaled \$1,327,989. All other expenditures totaled \$177,697. There exists a year end fund balance of \$2,401,600 that is needed for future landfill remediation costs and to complete contracts and projects. The year end fund balance is down by \$1,110,034 from the prior year due primarily to increases in expenditures associated with landfill environmental compliance and legal costs.

COUNTY CAPITAL PROJECTS FUND: The County Capital Projects (CIP) Fund balance reported a decrease of \$4,157,603 from the previous year to \$4,235,318. Two Public Works projects for the additions and renovations to the County courthouse and office complex as well as the Rustburg to Concord waterline cost \$4,524,463 for the year on a combined basis. Both of these capital projects have been completed with the exception of paying the remaining retainages for construction work completed. The Capital Projects Fund has a remaining fund balance of \$4,235,318, all of which is reserved or designated for capital projects already under construction or for future capital projects included in the adopted five-year Capital Improvement Plan.

SCHOOL CONSTRUCTION FUND: The School Construction Fund for school construction in progress has no remaining fund balance as the Concord Elementary School renovation and addition project was completed during the fiscal year. Expenditures needed for the year to complete this three-year project totaled \$1,204,837.

General Fund Budgetary Highlights

Differences between the general fund original expenditure budget of \$57,270,330 and the final amended budget of \$69,092,978 amounted to an increase of \$11,822,648 in budgeted expenditures and can be briefly summarized as follows:

- \$5,508,521 increase in the transfer to the Schools for additional funding consisting of budget encumbrances and carryovers approved from FY2009 to FY2010.
- \$2,824,134 increase for encumbrances and carryovers for other general fund department expenditures approved from FY2009 to FY2010.
- \$459,041 increase in payment distributions to the volunteer rescue squads based on revenue generated from billing for EMS services for earlier years.
- \$367,332 increase in Debt Service Stabilization - Interest for monies originally appropriated in the School CIP Fund to pay for construction invoices for the Concord Elementary School that were not needed.
- \$361,000 increase in the EMS department due to the increase in staffing for paid EMT positions to man ambulances when the volunteers are not available to respond to EMS calls.
- \$220,000 increase for the purchase of the Altavista Armory building from the State. The County then transferred ownership of this property to the Town of Altavista.
- \$164,200 increase in gasoline, diesel fuel and electricity costs due to higher than budgeted fuel prices and electricity utility rates.

General Fund Budgetary Highlights (Continued)

- \$771,901 decrease in the Children At Risk Program (CSA) due to a reduction in the number of kids requiring these program services. Revenues from the State were also reduced by \$586,000 as the majority of this program is funded by the State.
- The great majority of the remaining increases resulted from Public Safety, Law Enforcement and Economic Development grants approved throughout the year.

Differences between the general fund original revenue budget of \$59,327,545 and the final amended revenue budget of \$61,061,405 amounted to an increase of \$1,733,860 in budgeted revenues and can be briefly summarized as follows:

- \$250,000 increase in paid EMS service billings due to growth in this program as compared to what was budgeted.
- \$187,054 increase due to revenue carryovers approved from FY2009 to FY2010.
- \$586,000 decrease in reimbursement from the State for the Children at Risk Program (CSA) due to a reduction in the number of kids requiring these program services. Expenditures for this program were also de-appropriated in the amount of \$771,901.
- The great majority of the remaining increases resulted from Public Safety, Law Enforcement and Economic Development grants approved throughout the year.

During the year general fund actual revenues were less than original budget by \$677,922 and were less than amended budget by \$2,411,782. Actual expenditures were less than original budget by \$2,107,120 and actual expenditures were less than the amended budget by \$13,929,768. The largest component of this difference in the level of expenditures is Education. Actual education expenditures were \$7,718,452 below the amended budget. The Board of Supervisors subsequently re-appropriated \$6,590,059 of this amount as encumbrances and carryovers to the Schools for FY2011 covering contracts and obligations not completed as of June 30, 2010. The Board also subsequently re-appropriated other General Fund encumbrances and carryovers totaling \$2,855,206 for FY2011.

General Fund Budget to Actual			
	Final Budget	Actual	Variance
Revenues:			
Local revenue sources	\$ 41,907,553	\$ 41,784,543	\$ (123,010)
Intergovernmental revenues	19,153,852	16,865,080	(2,288,772)
Total revenues	<u>\$ 61,061,405</u>	<u>\$ 58,649,623</u>	<u>\$ (2,411,782)</u>
Expenditures:			
General government	\$ 4,310,177	\$ 3,915,300	\$ 394,877
Judicial	1,794,182	1,600,405	193,777
Public safety/law enforcement	13,495,578	11,985,338	1,510,240
Public works	1,571,749	1,487,283	84,466
Health and welfare	11,040,558	9,390,648	1,649,910
Education	25,437,055	17,718,603	7,718,452
Parks, recreation and cultural	2,161,941	1,972,890	189,051
Community development	2,340,956	1,512,187	828,769
Debt service	7,140,782	5,580,556	1,560,226
Nondepartmental	(200,000)	-	(200,000)
Total expenditures	<u>\$ 69,092,978</u>	<u>\$ 55,163,210</u>	<u>\$ 13,929,768</u>

General Fund Budgetary Highlights (Continued)

Revenues: Total actual revenue was less than final budget by \$2,411,782 or 3.9%. Total local revenue comprised 71.2% of total actual General Fund revenue while Intergovernmental Revenue (State/Federal) comprised the remaining 28.8% of total actual General Fund revenue. Intergovernmental revenue was \$2,288,772 less than final budget (11.9% less). Actual local revenues were very close to budget at 99.7% of budget; \$123,010 below budget.

\$951,386 of budgeted revenue not actually received during the year was carried over into next fiscal year as they will be received next fiscal year. Most of these carryover revenues approved were for grant funded programs and purchases. \$971,441 of the shortfall in Intergovernmental revenue was caused by reimbursements from State/Federal being less than budget in Social Service programs and administration along with the Comprehensive Services Act Program (CSA). The County's reimbursement revenue for these programs is based on actual expenditures centered in these same programs and is not based on budgeted expenditures. The revenue shortfall here of \$971,441 results from corresponding actual expenditures being less than budget by \$1,558,977 for these same Social Service programs. Additionally, the State cut funding to the County after our budget was adopted in the amount of \$267,193 for the Treasurer's Office, Commissioner of the Revenue Office, Registrar's Office and Rolling Stock Taxes.

Expenditures: Total General Fund actual expenditures of \$55,163,210 were \$13,929,768 less than the final budget of \$69,092,978 (20.2% less). The largest component of this difference in the level of expenditures is Education. Actual education expenditures were \$7,718,452 under the amended budget. The Board of Supervisors subsequently re-appropriated \$6,090,059 of this amount to the Schools for FY2011 for encumbrances covering contracts and obligations not completed as of June 30, 2010. Additionally, the Board of Supervisors approved a carryover request from the Schools for \$500,000 to balance their budget for next year. The Board also subsequently re-appropriated an additional \$3,725,536 for other functions within the general fund to FY11 for encumbrances and carryovers covering contracts and obligations not completed as of June 30, 2010. Expenditures centered in Social Service programs and administration along with the Comprehensive Services Act Program (CSA) reported expenditures of \$1,558,977 less than amended budget based on lower than anticipated utilization of these programs. As stated above revenue reimbursements for these same Social Services programs along with CSA were also \$971,441 less than final amended budget due to corresponding expenditures being substantially less than budget for these programs. Strong expense control throughout the government organization contributed substantially to overall expenditure savings for the fund. This was particularly true for the Board mandated staff vacancy period of 6 to 12 months before vacant staff positions could be filled. The level of expenditure reversions in the general fund at year's end was a planned response by the Board of Supervisors to state funding cuts. The Board adopted strategy continues to strive for accumulating unspent funds at year's end to be available to help continue a multi-year step down strategy utilizing some of the undesignated fund balance as needed and approved by the Board for FY2011 and beyond.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds as of June 30, 2010 totals \$84.6 million (net of accumulated depreciation) for an increase of \$2.3 million as a result of large capital projects under construction for additions and renovations to the County Courthouse and Office Complex including a new Citizens Services building. The investment in County capital assets includes land and land improvements, buildings and improvements, vehicles and machinery and equipment. Depreciation expense for the year for all capital assets for all funds totaled \$3,463,658. Depreciation expense for construction in process projects does not commence until the project is 90% completed. Readers interested in additional information relating to capital assets should refer to Note 6 to the financial statements.

Capital Asset and Debt Administration: (Continued)

Governmental Activities	General Fund Budget to Actual		
	Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land	\$ 2,405,985	\$ -	\$ 2,405,985
Construction in progress	1,523,075	-	1,523,075
Total capital assets, not being depreciated	\$ 3,929,060	\$ -	\$ 3,929,060
Other capital assets:			
Buildings	\$ 19,303,359	\$ 3,214,856	\$ 16,088,503
Other improvements	13,090,505	8,713,303	4,377,202
School buildings and improvements*	74,966,918	18,056,306	56,910,612
Equipment and vehicles	11,063,642	7,817,674	3,245,968
Total other capital assets	\$ 118,424,424	\$ 37,802,139	\$ 80,622,285
Total capital assets	\$ 122,353,484	\$ 37,802,139	\$ 84,551,345

* School Board capital assets are jointly owned by the County (primary government) and the component unit School Board. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

DEBT SCHEDULES

Of the \$57.1 million total principal balance of outstanding debt at the end of the year, \$47 million was for General Obligation Bonds and \$10.1 million was for State Literary Loans payable. General Obligation Bonds amounted to 1.4% of the County's assessed value for real estate, well below the maximum limit set by the State of 10% of assessed value for real estate. The County's total outstanding debt principal was paid down by \$3.0 million during the year.

Annual requirements to amortize all long-term debt and related interest expense are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 3,457,196	\$ 2,345,924	\$ 5,803,120
2012	3,259,527	2,210,672	5,470,199
2013	3,252,633	2,073,026	5,325,659
2014	3,124,117	1,940,261	5,064,378
2015	3,159,124	1,810,591	4,969,715
2016-2020	15,939,607	7,026,881	22,966,488
2021-2025	14,401,702	3,803,176	18,204,878
2026-2029	10,470,000	746,104	11,216,104
Total	\$ 57,063,906	\$ 21,956,635	\$ 79,020,541

DEBT SCHEDULES: (CONTINUED)

Annual debt service paid amounted to \$5.6 million for principal, interest and bank service charges for the reporting period. Lease costs for the year for Public Safety equipment totaled \$32,998 for principal and \$7,862 for interest. There are no obligations for lease payments going forward. Readers interested in additional information should refer to Note 7 to the financial statements.

The County previously established a debt stabilization reserve to utilize as future debt service reaches its maximum annual expense amount so that future increases in revenue would not be needed to pay for the higher level of debt service required. At year's end the debt stabilization totaled \$1,556,134 and this was included in the General Fund carryover from FY2010 to FY2011 subsequently approved by the Board of Supervisors.

CONTACT THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions concerning any information provided in this report or need additional financial information, contact:

Director of Management Services
Campbell County
P.O. Box 100
Rustburg, Virginia 24588
Phone number 434-332-9667

Phone Number - 434-332-9667
email - aclane@co.campbell.va.us
You may visit us on the web at:
www.co.campbell.va.us

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2010

	Primary Government	Component Units	
	Governmental Activities	School Board	Industrial Development Authority
ASSETS			
Cash and cash equivalents	\$ 11,234,451	\$ 8,384,945	\$ 328,023
Investments	21,152,560	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	16,959,621	-	-
Accounts receivable	735,069	3,809	993
Interest receivable	294,333	-	-
Due from primary government	-	298,020	145,651
Due from component unit	2,406,321	-	-
Due from other governmental units	2,425,667	4,271,893	-
Inventories	20,646	-	-
Prepaid expenses	368,750	403,647	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,208,418	-	-
Other assets:			
Unamortized bond issue costs	67,500	-	-
Capital assets (net of accumulated depreciation):			
Land	2,405,985	309,661	-
Buildings and improvements	16,088,503	3,425,993	-
Other improvements	4,377,202	722,164	-
Equipment	3,245,968	4,005,328	-
School buildings	56,910,612	-	-
Construction in progress	1,523,075	-	-
Total assets	\$ 141,424,681	\$ 21,825,460	\$ 474,667
LIABILITIES			
Accounts payable	\$ 1,697,863	\$ 1,305,474	\$ -
Accrued liabilities	1,119,135	6,605,551	-
Accrued interest payable	479,118	-	-
Due to primary government	-	2,400,321	6,000
Due to component unit	443,671	-	-
Unearned revenue	17,125,648	-	-
Long-term liabilities:			
Due within one year	3,672,575	49,534	100,651
Due in more than one year	67,927,764	1,600,420	45,000
Total liabilities	\$ 92,465,774	\$ 11,961,300	\$ 151,651
DEFERRED OUTFLOW OF RESOURCES	\$ (3,104,042)	\$ -	\$ -
TOTAL LIABILITIES NET OF DEFERRED OUTFLOW OF RESOURCES	\$ 89,361,732	\$ 11,961,300	\$ 151,651
NET ASSETS			
Invested in capital assets, net of related debt	\$ 28,284,570	\$ 8,463,146	\$ -
Unrestricted (deficit)	23,778,379	1,401,014	323,016
Total net assets	\$ 52,062,949	\$ 9,864,160	\$ 323,016

The notes to the financial statements are an integral part of this statement.

COUNTY OF CAMPBELL, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 12,928,427	\$ 8,895,934	\$ 543,616	\$ -
Judicial administration	1,708,920	122,019	899,928	24,815
Public safety	13,092,272	1,958,620	2,855,418	242,322
Public works	5,397,503	1,005,159	13,358	-
Health and welfare	9,613,637	34,680	6,941,695	-
Education	19,502,314	-	-	-
Parks, recreation, and cultural	2,083,747	249,297	177,219	544
Community development	1,572,293	48,943	126,875	317,465
Interest on long-term debt	2,515,923	-	-	-
Total governmental activities	<u>\$ 68,415,036</u>	<u>\$ 12,314,652</u>	<u>\$ 11,558,109</u>	<u>\$ 585,146</u>
Total primary government	<u>\$ 68,415,036</u>	<u>\$ 12,314,652</u>	<u>\$ 11,558,109</u>	<u>\$ 585,146</u>
COMPONENT UNITS:				
School Board	\$ 79,608,629	\$ 2,134,388	\$ 58,624,385	\$ -
Industrial Development Authority	178,549	9,714	-	-
Total component units	<u>\$ 79,787,178</u>	<u>\$ 2,144,102</u>	<u>\$ 58,624,385</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumer utility taxes				
Business license tax				
Motor vehicle licenses				
Other local taxes				
Unrestricted revenues from use of money and property				
Contributions from Campbell County				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The notes to the financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government	Component Units		
Governmental Activities	School Board	Industrial Development Authority	
\$ (3,488,877)	\$ -	\$ -	
(662,158)	-	-	
(8,035,912)	-	-	
(4,378,986)	-	-	
(2,637,262)	-	-	
(19,502,314)	-	-	
(1,656,687)	-	-	
(1,079,010)	-	-	
(2,515,923)	-	-	
<u>\$ (43,957,129)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (43,957,129)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (18,849,856)	\$ -	
-	-	(168,835)	
<u>\$ -</u>	<u>\$ (18,849,856)</u>	<u>\$ (168,835)</u>	
\$ 29,816,678	\$ -	\$ -	
3,877,173	-	-	
844,719	-	-	
1,572,293	-	-	
1,490,047	-	-	
736,421	-	-	
397,787	9,788	5,869	
-	17,718,603	177,206	
283,326	119,507	-	
4,914,103	-	-	
<u>\$ 43,932,547</u>	<u>\$ 17,847,898</u>	<u>\$ 183,075</u>	
<u>\$ (24,582)</u>	<u>\$ (1,001,958)</u>	<u>\$ 14,240</u>	
<u>52,087,531</u>	<u>10,866,118</u>	<u>308,776</u>	
<u>\$ 52,062,949</u>	<u>\$ 9,864,160</u>	<u>\$ 323,016</u>	

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2010

	General	Special Revenue (Solid Waste)	Capital Projects	School Construction Capital Projects	Total
ASSETS					
Cash and cash equivalents	\$ 5,253,212	\$ 292,938	\$ 3,625,910	\$ -	\$ 9,172,060
Investments	13,326,113	2,009,493	-	-	15,335,606
Receivables (net of allowance for uncollectibles):					
Taxes receivable	16,959,621	-	-	-	16,959,621
Accounts receivable	406,581	298,549	7,415	-	712,545
Interest receivable	294,333	-	-	-	294,333
Due from component units	2,406,321	-	-	-	2,406,321
Due from other governmental units	2,425,667	-	-	-	2,425,667
Inventories	20,646	-	-	-	20,646
Prepaid items	326,625	1,125	-	-	327,750
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	-	-	1,208,418	-	1,208,418
Total assets	<u>\$ 41,419,119</u>	<u>\$ 2,602,105</u>	<u>\$ 4,841,743</u>	<u>\$ -</u>	<u>\$ 48,862,967</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 698,981	\$ 198,069	\$ 606,425	\$ 50,747	\$ 1,554,222
Accrued liabilities	200,032	2,436	-	-	202,468
Due to component unit	-	-	-	298,020	298,020
Deferred revenue	16,966,604	-	-	-	16,966,604
Total liabilities	<u>\$ 17,865,617</u>	<u>\$ 200,505</u>	<u>\$ 606,425</u>	<u>\$ 348,767</u>	<u>\$ 19,021,314</u>
Fund balances:					
Reserved for:					
Encumbrances	\$ 904,503	\$ 99,294	\$ 557,872	\$ 258,233	\$ 1,819,902
Prepaid items	326,625	1,125	-	-	327,750
Inventories	20,646	-	-	-	20,646
Unreserved, reported in:					
Designated	8,540,762	2,301,181	3,677,446	-	14,519,389
Undesignated	13,760,966	-	-	(607,000)	13,153,966
Total fund balances	<u>\$ 23,553,502</u>	<u>\$ 2,401,600</u>	<u>\$ 4,235,318</u>	<u>\$ (348,767)</u>	<u>\$ 29,841,653</u>
Total liabilities and fund balances	<u>\$ 41,419,119</u>	<u>\$ 2,602,105</u>	<u>\$ 4,841,743</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds (Cost of \$122,353,484 less accumulated depreciation of \$37,802,139)	\$ 84,551,345
Receivables on the Statement of Net Assets that do not provide current financial resources are reported as deferred revenue in the funds	579,986
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the self insurance internal service fund are included in the governmental activities in the Statement of Net Assets	6,143,531
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds	
Accrued interest payable	\$ (479,118)
Long term commitments to IDA	(145,651)
General obligation bonds and literary fund loans	(57,063,906)
Net bond issue costs and premiums	(343,787)
Landfill closure/post-closure	(8,886,625)
Other post-employment benefits	(835,336)
Compensated absences	(1,299,143)
Net assets of governmental activities	<u>\$ 52,062,949</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General	Special Revenue (Solid Waste)	Capital Projects	School Construction Capital Projects	Total
REVENUES					
General property taxes	\$ 29,878,623	\$ -	\$ -	\$ -	\$ 29,878,623
Other local taxes	8,520,653	-	-	-	8,520,653
Permits, privilege fees, and regulatory licenses	260,941	-	-	-	260,941
Fines and forfeitures	215,515	-	-	-	215,515
Revenue from the use of money and property	360,280	10,839	15,633	-	386,752
Charges for services	2,124,898	1,005,159	-	-	3,130,057
Miscellaneous	112,061	-	171,265	-	283,326
Recovered costs	311,572	-	-	-	311,572
Intergovernmental revenues:					
Commonwealth	13,511,230	13,358	178,920	-	13,703,508
Federal	3,353,850	-	-	-	3,353,850
Total revenues	<u>\$ 58,649,623</u>	<u>\$ 1,029,356</u>	<u>\$ 365,818</u>	<u>\$ -</u>	<u>\$ 60,044,797</u>
EXPENDITURES					
Current:					
General government administration	\$ 3,915,300	\$ -	\$ -	\$ -	\$ 3,915,300
Judicial administration	1,600,405	-	-	-	1,600,405
Public safety	11,985,338	-	-	-	11,985,338
Public works	1,487,283	2,739,146	-	-	4,226,429
Health and welfare	9,390,648	-	-	-	9,390,648
Education	17,718,603	-	-	-	17,718,603
Parks, recreation, and cultural	1,972,890	-	-	-	1,972,890
Community development	1,512,187	-	-	-	1,512,187
Capital projects	-	-	5,621,849	1,204,837	6,826,686
Debt service:					
Principal retirement	3,007,153	-	-	-	3,007,153
Interest and other fiscal charges	2,573,403	-	-	-	2,573,403
Total expenditures	<u>\$ 55,163,210</u>	<u>\$ 2,739,146</u>	<u>\$ 5,621,849</u>	<u>\$ 1,204,837</u>	<u>\$ 64,729,042</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,486,413</u>	<u>\$ (1,709,790)</u>	<u>\$ (5,256,031)</u>	<u>\$ (1,204,837)</u>	<u>\$ (4,684,245)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 757,213	\$ 599,756	\$ 1,489,083	\$ -	\$ 2,846,052
Transfers out	(2,088,839)	-	(390,655)	(366,558)	(2,846,052)
Total other financing sources (uses)	<u>\$ (1,331,626)</u>	<u>\$ 599,756</u>	<u>\$ 1,098,428</u>	<u>\$ (366,558)</u>	<u>\$ -</u>
Net change in fund balances	\$ 2,154,787	\$ (1,110,034)	\$ (4,157,603)	\$ (1,571,395)	\$ (4,684,245)
Fund balances - beginning	21,398,715	3,511,634	8,392,921	1,222,628	34,525,898
Fund balances - ending	<u>\$ 23,553,502</u>	<u>\$ 2,401,600</u>	<u>\$ 4,235,318</u>	<u>\$ (348,767)</u>	<u>\$ 29,841,653</u>

The notes to the financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (4,684,245)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$ 5,773,146	
Depreciation expense	<u>(3,463,658)</u>	2,309,488

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets for gains and decrease net assets for losses.	(11,907)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(61,945)
--	----------

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(181,869)
--	-----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Principal retired on long-term debt	3,060,655
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. Details supporting this adjustment are as follows:

(Increase)/decrease in landfill closure, post-closure liability	\$ 96,582	
(Increase)/decrease in accrued interest	40,722	
(Increase)/decrease in compensated absences	(239,499)	
(Increase)/decrease in long term commitments to IDA	66,699	
(Increase)/decrease in other post-employment benefits obligation	(415,513)	
Amortization of bond issue costs	<u>(3,750)</u>	(454,759)
Change in net assets of governmental activities	\$	<u><u>(24,582)</u></u>

The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
 Health Insurance Fund
 June 30, 2010

	Health Insurance Fund
	<hr/>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,062,391
Investments	5,816,954
Accounts receivable	22,524
Prepaid claims expense	<hr/> 41,000
 Total assets	 \$ <hr/> <hr/> 7,942,869
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 143,641
Claims incurred but not reported	916,667
Deferred revenue	<hr/> 739,030
 Total liabilities	 \$ <hr/> 1,799,338
NET ASSETS	
Unrestricted	\$ <hr/> 6,143,531
Total net assets	\$ <hr/> <hr/> 6,143,531

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Health Insurance Fund
 For the Year Ended June 30, 2010

	Health Insurance Fund
	<hr/>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 10,366,132
Total operating revenues	<u>\$ 10,366,132</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 10,559,036
Total operating expenses	<u>\$ 10,559,036</u>
Operating income (loss)	<u>\$ (192,904)</u>
NONOPERATING REVENUES	
Interest Income	\$ 11,035
Change in net assets	\$ (181,869)
Total net assets - beginning	<u>6,325,400</u>
Total net assets - ending	<u><u>\$ 6,143,531</u></u>

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Health Insurance Fund
For the Year Ended June 30, 2010

	Health Insurance Fund
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 10,371,591
Payments for premiums	(10,628,553)
Net cash provided (used) by operating activities	<u>\$ (256,962)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 11,035
Net increase in investments	(48,661)
Net cash provided (used) by investing activities	<u>\$ (37,626)</u>
Net increase (decrease) in cash and cash equivalents	\$ (294,588)
Cash and cash equivalents - beginning	2,356,979
Cash and cash equivalents - ending	<u><u>\$ 2,062,391</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (192,904)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ (13,179)
(Increase) decrease prepaid claims expense	4,000
Increase (decrease) in accounts payable	(21,838)
Increase (decrease) in claims incurred but not reported	(51,679)
Increase (decrease) in deferred revenue	18,638
Total adjustments	<u>\$ (64,058)</u>
Net cash provided (used) by operating activities	<u><u>\$ (256,962)</u></u>

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 301,000
Total assets	\$ <u>301,000</u>
LIABILITIES	
Amounts held for others	\$ 301,000
Total liabilities	\$ <u>301,000</u>

The notes to the financial statements are an integral part of this statement.

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COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

Campbell County, Virginia (the “County”) is a political subdivision of the Commonwealth of Virginia governed under the County Administrator - Board of Supervisors form of government. The County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, human service programs, planning, community development and recreation, and cultural activities.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The significant accounting policies are described below.

Discretely Presented Component Units: Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationship with the County is such that exclusion would cause the County’s financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Campbell County School Board

The Campbell County School Board (the “School Board”) is responsible for elementary and secondary education within the County’s jurisdiction. The School Board is comprised of seven members elected by County voters. The School Board is fiscally dependent upon the County because the County Board of Supervisors approves the School Board budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt. The School Board does not issue separate financial statements.

Campbell County Industrial Development Authority

The Campbell County Industrial Development Authority (the “IDA”) was created to encourage and provide financing for economic development in the County. The IDA’s directors are appointed by the Board of Supervisors and the County is financially accountable for the IDA in that it provides local funding for the IDA’s activities. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The IDA is presented as a proprietary fund type and does not issue separate financial statements.

Related Organizations: The following entities are excluded from the accompanying financial statements:

Campbell County Utilities and Service Authority

The Campbell County Utilities and Service Authority was created by the Board of Supervisors to operate the County’s water and sewer systems. This Authority is excluded from the accompanying financial statements as the County neither exercises oversight responsibility nor has accountability for the fiscal affairs of the Authority. All obligations of the Authority are payable from and secured by revenues derived from the operation of the water and sewer systems.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. Financial Reporting Entity: (Continued)

Central Virginia Community Services Board

The County, in conjunction with the Counties of Amherst, Appomattox, and Bedford, and the Cities of Bedford and Lynchburg, participates in the Central Virginia Community Services Board (CVCSB), which is composed of two members from each of the participating localities. The County contributed \$157,404 to the CVCSB for the current year.

Blue Ridge Regional Jail Authority

The County, in conjunction with the Counties of Halifax and Bedford, and the Cities of Bedford and Lynchburg, participates in the Blue Ridge Regional Jail Authority (the “Authority”). Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at any regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days and is subject to adjustment at the end of each fiscal year. The County paid the Authority \$2,298,196 for the current year.

Region 2000 Services Authority

The County, in conjunction with the Cities of Lynchburg and Bedford, and the Counties of Appomattox and Nelson, participates in the Region 2000 Services Authority for solid waste disposal. The County paid the Authority tipping fees of \$536,280 for solid waste transferred to the Authority, and received \$994,352 in distributions from the Authority for 2010 profits.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities that report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The County reports no business-type activities. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, the proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, report only assets and liabilities; therefore, they do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize assets and liabilities.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenue and receivables when levied, net of allowances for uncollectible amounts. Real and personal property taxes recorded at June 30 and received within the first 60 days after year end are included in tax revenues, with the related amount reduced from deferred revenues. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the County, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months preceding receipt by the County. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The County reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government not required to be accounted for in other funds.

Special Revenue Fund - Special Revenue Funds account for the proceeds of specific revenue sources, (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions. The Solid Waste Fund is a special revenue fund which accounts for revenues from landfill operations and related expenditures.

Capital Projects Fund - The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities.

School Construction Capital Projects Fund - The School Construction Capital Projects Fund accounts for all bond proceeds and expenditures of financial resources related to the acquisition or construction of major school capital facilities.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Proprietary Funds are used to account for the reporting entity's activities similar to those often found in the private sector. The County reports the following major proprietary fund:

Internal Service Fund - Health Insurance Fund - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government. The County's internal service fund is the Health Insurance Fund, through which the County self-insures the costs of providing health insurance to employees.

In addition to its major funds, the County reports the following fund category:

Fiduciary Funds - Fiduciary funds are used to account for assets held by the County in a purely custodial capacity. The County's only fiduciary funds are agency funds which consist of the following: Special Welfare, Drug Enforcement, Commonwealth Attorney Drug, Flexible Benefits, and the County Agency Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's health insurance fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes, grants and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

Operating revenues and expenses in the proprietary fund result from providing services in connection with its principal ongoing operations. The principal operating revenues of the County's proprietary fund are charges for health investment services. Non-operating revenues consist of interest income. Operating expenses include the costs of claims and administrative expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Budgetary Information: (Continued)

- The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts not to exceed \$500 within general government departments, all other transfers of budget must be approved by the Board of Supervisors; however, the School Board is authorized to transfer budgeted amounts within the school system's categories. The Board of Supervisors approved supplemental appropriations in the General Fund totaling \$11,783,380 for additional requests from various departments including contribution to the School Board. The Board of Supervisors also approved additional appropriations to the Solid Waste Fund of \$1,274,858, County Capital Projects fund of \$7,446,271 and to the School Construction Capital Projects fund of \$1,218,615 for bond proceeds unspent in the prior year for various capital projects.
- Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Fund, and the two Capital Project Funds.
- All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Appropriations lapse on June 30 for all County and School Board units.
- All budgetary data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and investments with a maturity date within three months of the date acquired.

Investments

Investments are stated at fair value.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts is calculated using historical collection data, specific account analysis, and management's judgment.

Inventories

Inventories generally are recorded at the lower of cost (first-in/first-out (FIFO) method) or market except for any commodities received from the U.S. Department of Agriculture, which are valued at market. Inventories of the County's governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories consist of expendable supplies in the General Fund and USDA commodities in the Component Unit - School Board.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity: (Continued)

Prepaid Items

Payments made for services that will benefit periods beyond June 30 are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Capital Assets

Capital assets include property, plant, and equipment and are reported in the government-wide financial statements. The County does not own infrastructure assets. Capital assets are defined as items with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Other improvements	2-40 years
Equipment	5-10 years

Compensated Absences

County and School Board employees are granted a specified number of days of leave with pay each year. The statements reflect, as of June 30, the amount payable for all unused vacation, sick and compensatory leave, payable upon termination. Employer related taxes payable are also included. The cost of accumulated leave is accounted for as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when the amounts have become due and payable.

Deferred and Unearned Revenues

Deferred revenues consist primarily of property taxes receivable not collected within 60 days of year end, as well as property taxes, either receivable or already collected, intended to finance a future fiscal period. Deferred revenue also includes grants which have been advanced to the County but have not yet been earned.

Deferred revenue in the internal service fund represents advances by other funds, component units, and outside entities for the cost of insurance for periods after June 30.

Unearned revenue consists of property taxes, either receivable or already collected, intended to finance a future fiscal period, as well as grant proceeds which have been received, but for which the County has not met the requirements to consider those grant proceeds as earned.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity: (Continued)

Economic Incentive Grants Payable

Economic incentive grants payable are recorded when, in management’s opinion, failure by the grantee to meet the performance criteria is unlikely. Refunds of these incentives are reflected as revenues when collection is determined to be likely.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net assets. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or bonds outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no long-term liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Repayments and issuance costs are reported as debt service expenditures.

Encumbrances

The County uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of fund balance.

Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Net Assets/Fund Equity

Net assets in the government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are reported as restricted when there are limitations imposed on their use through the enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations.

In the fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity: (Continued)

IDA Transactions and Conduit Obligations

In addition to disbursing incentives to promote the expansion of business initiatives in the County, the IDA may also structure ownership of properties through lease purchase arrangements or issue Industrial Revenue Bonds for the purpose of obtaining and constructing facilities deemed to be in the public interest. However, all rights to payments on these bonds have been assigned to the trustees, agents, or the holders of the bonds, and purchasers have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases the IDA neither receives nor disburses funds. Deeds of trust or letters of credit secure outstanding bond obligations; although the IDA provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the IDA does not recognize associated assets, liabilities, income or interest expense in its financial statements. Approximately \$1.3 million of conduit obligation bonds were outstanding at year end.

NOTE 2–DEPOSITS AND INVESTMENTS:

Deposits

All cash deposits of the County and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia, or covered by federal depository insurance.

Investments

Investment Policy

In accordance with the Code of Virginia and other applicable law, including regulations, the County's investment policy (Policy) permits investments in U.S. Treasury Securities, U.S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Pursuant to Sec. 2.1-234.7 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share).

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Credit Risk

As required by state statute or by the County, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, and Fitch Investor’s Service, provided that the issuing corporation has a net worth of at least \$50 million and its long term debt is rated “A” or better by Moody’s and Standard & Poor’s. Banker’s acceptances and certificates of deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service.

County's Rated Debt Investments' Values - Standard & Poor's Rating

Rated Debt Investments	Fair Quaiity Ratings
U.S. Agency Securities	A-1
Money Market Fund	AAAm
LGIP	AAAm

Concentration of Credit Risk

The County’s current Policy requires that no more than 5% of its investments be in securities of any single issuer. This limit does not apply to the U.S. Government or its agencies.

Interest Rate Risk

The County’s current Policy limits investment maturities to five years maximum maturity for any negotiable certificate of deposit or any sovereign government obligation excluding those of the United States; to fifteen years for any single corporate security; and five years for any single asset-backed security.

The carrying values and weighted average maturity were as follows:

Investment Type	Investment Maturity*	
	Fair Value	1 - 5
U.S. Agency Securities	\$ 16,122,056	\$ 16,122,056
Total investments	\$ 16,122,056	\$ 16,122,056

* Weighted average maturity in years.

Custodial Credit Risk

The Policy requires that all investment securities be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, all investments are held in a bank’s trust department in the County’s name.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Custodial Credit Risk: (Continued)

Cash and investments are reflected in the financial statements as follows:

		Component Units	
	Primary Government	School Board	IDA
Deposits and investments:			
Cash on hand	\$ 1,250	\$ -	\$ -
Deposits	12,441,619	8,384,945	328,023
Investments	21,152,560	-	-
Total	<u>\$ 33,595,429</u>	<u>\$ 8,384,945</u>	<u>\$ 328,023</u>
Statement of net assets:			
Cash and cash equivalents	\$ 11,234,451	\$ 8,384,945	\$ 328,023
Investments	21,152,560	-	-
Restricted cash and equivalents	1,208,418	-	-
Total	<u>\$ 33,595,429</u>	<u>\$ 8,384,945</u>	<u>\$ 328,023</u>

Restricted cash in the General, Capital Projects, and School Construction Funds consists of unexpended debt proceeds.

NOTE 3-RECEIVABLES AND DEFERRED/UNEARNED REVENUE:

Receivables consist of the following:

	General Fund	Solid Waste	Capital Projects	Health Insurance	Total
Receivables:					
Taxes	\$ 17,547,826	\$ -	\$ -	\$ -	\$ 17,547,826
Accounts	<u>406,581</u>	<u>298,549</u>	<u>7,415</u>	<u>22,524</u>	<u>735,069</u>
Gross receivables	<u>\$ 17,954,407</u>	<u>\$ 298,549</u>	<u>\$ 7,415</u>	<u>\$ 22,524</u>	<u>\$ 18,282,895</u>
Less:					
Allowance for uncollectible amounts	<u>\$ 588,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 588,205</u>
Net receivables	<u>\$ 17,366,202</u>	<u>\$ 298,549</u>	<u>\$ 7,415</u>	<u>\$ 22,524</u>	<u>\$ 17,694,690</u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 3—RECEIVABLES AND DEFERRED/UNEARNED REVENUE: (CONTINUED)

The taxes receivable account represents the current and past four years of uncollected tax levies on personal property taxes and the current and past seventeen years of uncollected tax levies on real property. Real estate taxes are recorded as receivable when they attach as an enforceable lien, therefore, real estate taxes based on the January 1, 2010, assessment date are included in taxes receivable at June 30, 2010, even though taxpayers had not yet been billed. However, since the January 1, 2010 levy is intended to finance a future period, this amount has been included in deferred revenue as discussed below. The allowance for estimated uncollectible taxes receivable is approximately 3.4% of the total taxes receivable at June 30 and is based on historical collection rates.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period, as well as for receivables which are considered unearned in that they are intended to finance a future period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of deferred revenue were as follows:

Property taxes receivable - unearned	\$ 16,158,325
Property taxes receivable - unavailable	579,986
Advance collection of 2010-2011 property taxes - unearned	62,107
Advance payments of state and federal grants - unearned	<u>166,186</u>
 Total deferred revenue - governmental funds (Exhibit 3)	 \$ 16,966,604
 Less deferrals for unavailability	 (579,986)
Add internal service fund deferrals related to discretely presented component units and outside entities	<u>739,030</u>
 Unearned revenue - Statement of Net Assets (Exhibit 1)	 \$ <u><u>17,125,648</u></u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments consist of the following:

	Primary Government	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 695,812	\$ -
State sales tax	-	1,357,699
Comprehensive Services Act	383,699	-
Public assistance	178,813	-
Motor vehicle rental tax	45,813	-
Mobile home titling tax	17,055	-
Shared expenses and grants	297,652	-
Railroad rolling stock	150,519	-
Communications tax	121,851	-
Recordation tax	29,206	-
E-911	173,035	-
Other state funds	49,149	-
<u>Local Governments:</u>		
Laurel Regional Program	-	137,688
<u>Federal Government</u>		
Public assistance	202,017	-
Title I	-	539,340
Title II, Part A	-	65,659
Title VI-B special education	-	607,913
State fiscal stabilization funds	-	1,508,537
Other federal grants	81,046	55,057
Total	\$ 2,425,667	\$ 4,271,893

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 5-INTERFUND AND INTRA-ENTITY TRANSACTIONS AND BALANCES:

Interfund and Intra-Entity transfers are as follows:

<u>Transfer Out Fund</u>	<u>Transfers In Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,489,083
General Fund	Solid Waste Fund	599,756
Capital Projects Fund	General Fund	390,655
School Construction Capital Projects	General Fund	366,558

The transfer from the General Fund to the Capital Projects Fund was to support general government capital projects. Transfers from the General Fund to the Solid Waste Fund were to offset shortfalls in operating revenues. Transfers from the Capital Projects Fund to the General Fund were for projects. Transfers from School Construction Capital Projects to General Fund were to reimburse for projects paid.

Balances due to and from the primary government and its component units consist of the following:

The Component Unit-School Board owed \$2,400,321 to the General Fund at year end as a result of appropriated local funds in excess of actual school expenditures in the current and previous years.

The primary government owed the Component Unit-IDA \$145,651 for economic incentive grants awarded by the IDA for which the County is ultimately responsible. This is discussed further in Note 12. The IDA in turn owed the primary government \$6,000 for incentive funds advanced to the IDA for a company which did not meet the required criteria.

The primary government owed the Component Unit-School Board \$298,020 for cash expended for school construction.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 6—CAPITAL ASSETS:

Primary Government

Capital asset activity for the year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 2,382,113	\$ 23,872	\$ -	\$ 2,405,985
Construction in progress	10,402,689	2,696	8,882,310	1,523,075
School building-construction in progress	<u>14,836,323</u>	<u>-</u>	<u>14,836,323</u>	<u>-</u>
Total capital assets, nondepreciable	<u>\$ 27,621,125</u>	<u>\$ 26,568</u>	<u>\$ 23,718,633</u>	<u>\$ 3,929,060</u>
Capital assets, depreciable:				
Buildings and improvements	\$ 6,763,186	\$ 12,540,173	\$ -	\$ 19,303,359
Other improvements	12,849,243	241,262	-	13,090,505
Equipment	11,244,224	635,083	815,665	11,063,642
School buildings	<u>58,918,225</u>	<u>16,048,693</u>	<u>-</u>	<u>74,966,918</u>
Total capital assets, depreciable	<u>\$ 89,774,878</u>	<u>\$ 29,465,211</u>	<u>\$ 815,665</u>	<u>\$ 118,424,424</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 2,862,813	\$ 352,043	\$ -	\$ 3,214,856
Other improvements	8,334,218	379,085	-	8,713,303
Equipment	7,729,640	891,792	803,758	7,817,674
School buildings	<u>16,215,568</u>	<u>1,840,738</u>	<u>-</u>	<u>18,056,306</u>
Total accumulated depreciation	<u>\$ 35,142,239</u>	<u>\$ 3,463,658</u>	<u>\$ 803,758</u>	<u>\$ 37,802,139</u>
Capital assets, depreciable, net	<u>\$ 54,632,639</u>	<u>\$ 26,001,553</u>	<u>\$ 11,907</u>	<u>\$ 80,622,285</u>
Governmental activities capital assets, net	<u>\$ 82,253,764</u>	<u>\$ 26,028,121</u>	<u>\$ 23,730,540</u>	<u>\$ 84,551,345</u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 6-CAPITAL ASSETS: (CONTINUED)

Primary Government: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 392,584
Judicial administration	77,120
Public safety	677,648
Public works	306,136
Health and welfare	82,458
Education	1,783,711
Parks, recreation, and cultural	76,676
Community development	67,325
Total depreciation	<u>\$ 3,463,658</u>

Discretely Presented Component Unit-School Board

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	\$ 309,661	\$ -	\$ -	\$ 309,661
Capital assets, depreciable:				
Buildings and improvements	\$ 16,352,359	\$ 88,632	\$ -	\$ 16,440,991
Other improvements	1,348,976	97,713	-	1,446,689
Equipment	10,379,956	993,026	150,737	11,222,245
Total capital assets, depreciable	<u>\$ 28,081,291</u>	<u>\$ 1,179,371</u>	<u>\$ 150,737</u>	<u>\$ 29,109,925</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 12,654,737	\$ 360,261	\$ -	\$ 13,014,998
Other improvements	619,681	104,844	-	724,525
Equipment	6,408,348	959,306	150,737	7,216,917
Total accumulated depreciation	<u>\$ 19,682,766</u>	<u>\$ 1,424,411</u>	<u>\$ 150,737</u>	<u>\$ 20,956,440</u>
Capital assets, depreciable, net	<u>\$ 8,398,525</u>	<u>\$ (245,040)</u>	<u>\$ -</u>	<u>\$ 8,153,485</u>
Governmental activities capital assets, net	<u>\$ 8,708,186</u>	<u>\$ (245,040)</u>	<u>\$ -</u>	<u>\$ 8,463,146</u>

All depreciation expense in the School Board was charged to the Education function.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
General obligation bonds	\$ 48,983,271	\$ -	\$ 1,983,399	\$ 46,999,872	\$ 2,584,963
Literary fund loans	11,087,788	-	1,023,754	10,064,034	872,233
Derivative instrument liability	-	3,104,042	-	3,104,042	-
Bond premiums	431,795	-	20,508	411,287	20,508
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total bonds payable	\$ 60,502,854	\$ 3,104,042	\$ 3,027,661	\$ 60,579,235	\$ 3,477,704
Landfill closure/postclosure					
(Note 8)	8,983,207	-	96,582	8,886,625	-
Compensated absences	1,059,644	1,116,165	876,666	1,299,143	194,871
OPEB (Note 14)	419,823	738,662	323,149	835,336	-
Capital lease payable	32,994	-	32,994	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Primary Government	\$ <u>70,998,522</u>	\$ <u>4,958,869</u>	\$ <u>4,357,052</u>	\$ <u>71,600,339</u>	\$ <u>3,672,575</u>
Component Unit-School Board:					
Compensated absences	\$ 260,097	\$ 602,465	\$ 532,337	\$ 330,225	\$ 49,534
OPEB (Note 14)	717,442	2,221,138	1,618,851	1,319,729	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Component Unit- School Board	\$ <u>977,539</u>	\$ <u>2,823,603</u>	\$ <u>2,151,188</u>	\$ <u>1,649,954</u>	\$ <u>49,534</u>
Component Unit-IDA:					
Economic incentive grants payable (Note 9)	\$ <u>217,056</u>	\$ -	\$ 71,405	\$ 145,651	\$ 100,651
Total Component Unit - IDA	\$ <u>217,056</u>	\$ -	\$ 71,405	\$ 145,651	\$ 100,651

Debt service requirements of general obligation bonds, literary fund loans, and compensated absences are paid by the General Fund. Costs related to landfill closure/postclosure are paid by the General Capital Projects Fund or the Solid Waste Fund. Capital lease payments are made by the General Fund.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

The primary government's annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities			
	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2011	\$ 2,584,963	\$ 2,111,643	\$ 872,233	\$ 234,281
2012	2,387,294	1,996,586	872,233	214,086
2013	2,380,400	1,879,135	872,233	193,891
2014	2,251,884	1,766,564	872,233	173,697
2015	2,286,891	1,657,089	872,233	153,502
2016-2020	11,828,440	6,562,291	4,111,167	464,590
2021-2025	12,810,000	3,736,758	1,591,702	66,418
2026-2029	10,470,000	746,104	-	-
Total	\$ 46,999,872	\$ 20,456,170	\$ 10,064,034	\$ 1,500,465

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
<u>General Obligation Bonds:</u>					
School Construction	4.47-5.00%	Nov 1993	Dec 2013	\$ 11,000,000	\$ 460,000
School Construction	4.90-6.35%	Nov 1992	July 2012	1,812,215	351,812
School Construction	5.10-5.50%	April 1993	Dec 2012	3,000,000	365,000
School Construction	5.10-6.10%	Nov 1996	July 2016	3,202,504	1,330,597
School Construction	4.35-5.23%	Nov 1997	July 2017	2,709,756	1,252,266
School Construction	3.60-5.10%	Nov 1998	Jan 2019	3,323,952	1,665,197
School Construction	4.35-5.10%	April 2005	July 2030	8,685,000	7,555,000
VML/VACO Bonds-School	4.61%	June 2008	July 2029	16,000,000	15,790,000
VML/VACO Bonds-County	4.61%	June 2008	July 2029	5,475,000	5,400,000
VML/VACO Bonds-County	4.61%	June 2008	July 2029	12,800,000	12,630,000
VML/VACO Bonds-County	Prime +1.50%	June 2008	July 2010	600,000	200,000
					\$ 46,999,872

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

In a prior year the County issued a derivative financial instruction in the form of an interest rate swap. The County has implemented Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments during this fiscal year.

Interest rate swap

Objective of the interest rate swap.

As a means to lower its borrowing costs, when compared against fixed-rate loans at the time of issuance in June 2008 the County entered into an interest rate swap in connection with its \$34,275,000 VACO / VML variable rate demand revenue bonds. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate of 4.055%. Utilizing the synthetic instrument method, the County has determined that the swap is an effective hedging derivative instrument and hedge accounting applies.

Terms - The bonds and the related swap agreement mature on August 1, 2028. The swap's notional value of \$36,924,042 is more than the balance outstanding on the bonds payable of \$33,820,000. The difference of \$3,104,042 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the County.

A corresponding deferred outflow of resources is reported on the statement of net assets as a reduction to total liabilities before computing net assets. The swap was entered into at the same time as the bonds were issued.

Fair Value. The fair values and changes in fair values of the swap are as follows:

	<u>\$33,820,000</u>
Fair value	\$ (3,104,042)
Change in fair value	(3,104,042)

NOTE 8—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

The County's landfill consists of four phases described as follows: Phase I of the landfill has never been intended to be used for actual waste disposal and serves only as a storage area. Phase II of the landfill was closed in 1995. Phase III opened in 1995 and has an expected remaining life of about 11 years at current fill rates. Phase IV has not yet been opened and is expected to have an approximate life of an additional 13 years. The expected remaining life of the entire landfill at recent usage rates would be approximately 24 years. However, as described below the County joined a regional landfill authority on July 1, 2008, and because landfill sites will then be shared among members of the authority, the actual remaining life of the County's sites is not possible to predict.

In accordance with state and Federal laws, the County placed a final cover on Phase II of the landfill in 1995 and is required to perform certain maintenance and monitoring functions at this site for a minimum of thirty years after closure. The cumulative amount of estimated postclosure care costs for this site, less amounts expended for such costs to date, totals \$4,866,066. This amount includes a provision for certain remediation procedures and related litigation as discussed in Note 17.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 8—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS: (CONTINUED)

The closure and postclosure care costs for Phase III will be paid only near or after the date at which the phase is permanently closed; the County has reported a liability for a portion of these closure and postclosure care costs based on capacity used in Phase III. The \$4,020,559 reported as landfill closure and postclosure care costs associated with Phase III is based on 88.81% of the phase's estimated capacity used to date. The County will recognize the remaining estimated cost of closure and postclosure care of \$506,588 as the remaining estimated capacity is filled in Phase III's existing open cells. These amounts are based on estimates of what it would cost to perform all closure and postclosure care in 2010. Actual closure and postclosure costs may be higher due to inflation, changes in technology or changes in regulations.

The County has joined a regional landfill authority in conjunction with the City of Lynchburg, the City of Bedford, Amherst County, Appomattox County, and Nelson County. Certain assets were sold to the Authority in July 2008. The County will retain ownership of and responsibility for Phases 1 and 2 as discussed above. Upon the establishment of the new Authority, the County's landfill ceased accepting solid waste on June 30, 2008. All solid waste from the County is now transferred to the landfill operated by the Authority.

The County demonstrates financial assurance requirements for closure and postclosure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA-20-70 of the Virginia Administrative Code.

NOTE 9—IDA ECONOMIC INCENTIVE GRANTS PAYABLE:

As discussed in Note 12, the IDA has awarded certain economic incentive grants to businesses within the County; normally these grants are paid out over about a three year period. Grants for which management has determined the underlying requirements have been substantially met total \$145,651 and are expected to be paid in fiscal years 2011 and 2012.

NOTE 10—NET ASSETS/FUND BALANCE:

Fund balance in the governmental funds has been designated by management as follows:

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Capital Projects Fund</u>
Designated for:			
Education	\$ 6,090,059	\$ -	\$ -
Other future expenditures	2,450,703		
Capital projects	-	2,301,181	3,677,446
Total designated fund balance	<u>\$ 8,540,762</u>	<u>\$ 2,301,181</u>	<u>\$ 3,677,446</u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 11—SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - SCHOOL BOARD:

Certain transactions between the County and School Board component unit are explained here in detail to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board are recorded in the County’s School Construction Capital Projects Fund. This fund then accounts for capital expenditures relating to major school construction projects.
2. Debt service payments for school bonded debt are reported as part of the primary government in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.
3. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation as “jointly owned” assets. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.
4. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be as follows:

Expenditures of School Board - Component Unit (Exhibit 19)	\$ 78,608,906
Expenditures of School Construction Capital Projects Fund (Exhibit 4)	1,204,837
School-related principal and other debt service expenses included in primary government (Exhibit 4)	<u>4,263,475</u>
Total expenditures for school activities	<u><u>\$ 84,077,218</u></u>

NOTE 12—SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - IDA:

The IDA was created to encourage economic development in the County. To that end, the County appropriates periodic contributions to the IDA. In addition, the County provides certain economic incentive grants to encourage development in the County. These grants pass through the IDA but ultimately are long-term obligations reported in the County’s government-wide statement of net assets. When the underlying requirements have been substantially met, these amounts are recorded by the IDA as payable to the grant recipient and as receivable from the County. At year end the IDA reported economic incentive grants payable of \$145,651 and an equal amount was reported as receivable from the County.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 12–SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - IDA: (CONTINUED)

Amounts reported as payable to the IDA by the County consist of the following:

Long-term commitments to IDA, reported in the government-wide Statement of Net Assets	\$ 145,651
Total payable to IDA	\$ 145,651

The County also provides personnel and office space to the IDA at no charge.

NOTE 13–DEFINED BENEFIT PENSION PLAN:

Plan Description

The County contributes to the Virginia Retirement System (VRS), an agent and cost sharing multiple employer defined benefit pension plan administered by the Virginia Retirement System (the “System”). In addition, professional and non-professional employees of the School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agent multiple-employer retirement system.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs), payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and, if the employer elects, other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments increases limited to 5.00% per year beginning in their second year of retirement. The COLA is limited to 5.0% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System’s Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500 or downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf>.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2010 (CONTINUED)

NOTE 13—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The County and School Board have assumed this 5.00% member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year 2010 was 7.14% of annual covered payroll. The School Board's contribution rates for fiscal year 2010 were 8.81% (for July 2009 through March 2010 and 0.00% for April through June 2010) for professional employees and 7.64% for non-professional employees. The County and School Board's contribution rates do not include the employee's share of 5.00% paid by employer.

For the three years ended June 30, 2010, 2009, and 2008, total employer contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$2,434,795, \$3,453,699, and \$3,974,698 and represented 8.81%, 8.81%, and 10.30% of annual covered payroll, respectively, and 100% of the required contributions for 2010, 2009, and 2008.

Annual Pension Cost

For fiscal year 2010, the County's and School Board's annual pension costs, not including the employee share (\$567,761 and \$1,935,285) assumed by the County and School Board, of \$810,763 and \$236,588, respectively, were equal to their required contributions.

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 13-DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Annual Pension Cost: (Continued)

Three-Year Trend Information for Campbell County			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 810,763	100%	\$ -
June 30, 2009	878,883	100%	-
June 30, 2008	679,186	100%	-
Three-Year Trend Information for Campbell County School Board-Nonprofessional			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 236,588	100%	\$ -
June 30, 2009	236,099	100%	-
June 30, 2008	207,173	100%	-

Funded Status and Funding Progress

Primary Government

As of June 30, 2009, the most recent actuarial valuation date, the plan was 89.60% funded. The actuarial accrued liability for benefits was \$46,492,715, and the actuarial value of assets was \$41,655,860, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,836,855. The covered payroll (annual payroll of active employees covered by the plan) was \$11,449,284, and ratio of the UAAL to the covered payroll was 42.25%.

Discretely Presented Component Unit - School Board (Non-professional)

As of June 30, 2009, the most recent actuarial valuation date, the plan was 92.03% funded. The actuarial accrued liability for benefits was \$11,900,346, and the actuarial value of assets was \$10,951,440, resulting in an unfunded actuarial accrued liability (UAAL) of \$98,906. The covered payroll (annual payroll of active employees covered by the plan) was \$3,060,653, and ratio of the UAAL to the covered payroll was 31.00%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 14—OTHER POST-EMPLOYMENT BENEFITS:

The Governmental Accounting Standards Board (“GASB”) Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes standards for the measurement, recognition and display of other post-employment benefits (“OPEB”) expense and related liabilities in the financial statements. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The County and Schools adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan Description

The County and School Board provide post-employment medical coverage for retired employees through a single-employer defined benefit plan. The County and School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

A Campbell County retiree, eligible for postretirement medical coverage, is defined as a full-time employee who retires directly from the County or Schools and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the County and Schools. County employees hired prior to July 1, 2006 and School employees hired for the 2006-2007 school year and before must have 10 years of service with Campbell County in order to be eligible for postretirement medical coverage. All subsequently hired employees must have 20 years of service with Campbell County to be eligible. Retired employees, hired on or after July 1, 2010, eligible for VRS retirement benefits with at least 20 years of consecutive County service may continue their health insurance under the County insurance plan until age 65 if they elect to pay the entire insurance premium established for regular employees in that classification. Coverage will be limited to the retired employee and will not include dependents.

Retirees not yet eligible for Medicare coverage can choose between three coverage options. Retirees eligible for Medicare coverage have access to plans that supplement Medicare, however, the retiree is responsible for the full cost of the plan.

The number of participants at June 30, 2010 was as follows:

	<u>Primary Government</u>	<u>School Board</u>
Retirees currently receiving benefits	30	269
Active employees	<u>306</u>	<u>935</u>
Total	<u>336</u>	<u>1,204</u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 14—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

Funding Policy

The County and Schools currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2010, neither the County nor the Schools designated any funding for the OPEB liability.

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

Annual Required Contribution (ARC):

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits for FY 2010 was \$738,662 for the County and \$2,221,138 for the School Board. The County and School Board have paid \$323,149 and \$1,618,851, respectively towards this obligation during the fiscal year. The County and School Board are required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the annual OPEB cost are depicted in the following table.

	<u>Primary Government</u>	<u>School Board</u>
Annual required contribution	\$ 733,613	\$ 2,228,087
Interest on net OPEB obligation	16,790	28,710
Adjustment to annual required contribution	<u>(11,741)</u>	<u>(35,659)</u>
Annual OPEB cost	\$ 738,662	\$ 2,221,138
Contributions made	<u>323,149</u>	<u>1,618,851</u>
Increase in net OPEB obligation	\$ 415,513	\$ 602,287
Net OPEB obligation-beginning of year	<u>419,823</u>	<u>717,442</u>
Net OPEB obligation-end of year	<u><u>\$ 835,336</u></u>	<u><u>\$ 1,319,729</u></u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 14—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation: (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 738,662	43.75%	\$ 835,336
June 30, 2009	702,723	40.30%	419,823

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 2,221,138	72.88%	\$ 1,319,729
June 30, 2009	2,134,442	66.39%	717,442

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2010 was as follows:

	<u>Primary Government</u>	<u>School Board</u>
Actuarial Valuation Date	July 1, 2008	July 1, 2008
Actuarial Accrued Liability (AAL)	\$ 6,926,245	\$ 23,562,505
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	6,926,245	23,562,505
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-	-
Covered Payroll (Active Plan Members)	11,407,402	\$ 42,144,022
UAAL as a Percentage of Covered Payroll	60.72%	55.91%

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 14–OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

Funding Status and Funding Progress: (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 4% discount rate and an initial annual healthcare cost trend of 8% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5%. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2010 is 28 years.

NOTE 15–PROPERTY TAXES:

The County levies real estate taxes on all real property within its boundaries, except that exempted by statute, at a rate enacted by the Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue. Public utility property is assessed by the Commonwealth. All real property is assessed at 100 percent of fair market value and reassessed every four years as of January 1. The Commissioner of Revenue, by authority of County ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

Real estate taxes are billed in annual installments due December 5. The taxes receivable balance at June 30, 2010 includes amounts not yet received from the January 1, 2010 levy. Property taxes attach as an enforceable lien on property as of January 1.

In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The real estate tax rate was \$.46 and \$.46 per \$100 of assessed value for calendar years 2010 and 2009, respectively.

Personal property tax assessments on all motor vehicles is \$3.85 per \$100 assessed value. Personal property tax on business machinery and tools is \$3.25 per \$100 of assessed value. Personal property taxes for the calendar year are due on December 5. Personal property taxes do not create a lien on property.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 16—RISK MANAGEMENT:

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation claims and natural disasters.

The County contracts with the Virginia Municipal League to provide insurance coverage for these risks of loss. In the event of a loss deficit and depletion of all assets and available insurance of the League, the League may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The property coverage is for specific amounts based on values assigned to the insured properties. Liability coverage consists of \$1 million primary and \$4 million excess coverage.

The School Board contracts with private insurers for property and liability coverage.

Unemployment Insurance

The County and School Board are fully self-insured for unemployment claims. The Virginia Employment Commission bills the County for all unemployment claims.

Employee Health Insurance

The County is self-insured for medical coverage for County and School employees. Anthem serves as the administrator of a group medical insurance program in which the County and School Board's participating employees are combined into one overall funding program. The program includes a specific stop loss of \$125,000 for the program year ending September 30, 2010, and a maximum aggregate liability of 115% of Anthem's estimate of the expected liability.

Liabilities for unpaid claims and claims incurred but not reported (IBNR) are estimated based on the estimated ultimate costs of settling the claims. Changes in the balances of claim liabilities are as follows:

<u>Fiscal Year Ending</u>	<u>Beginning of Year</u>	<u>Insured Claims (Including IBNR)</u>	<u>Claim Payments</u>	<u>End of Year</u>
June 30, 2010	\$ 968,346	\$ 10,043,182	\$ 10,094,861	\$ 916,667
June 30, 2009	745,696	9,862,157	9,639,507	968,346
June 30, 2008	891,031	7,863,794	7,118,098	745,696

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 17—COMMITMENTS AND CONTINGENCIES:

Environmental Matters

The County has been involved in a regulatory action with the Virginia Department of Environmental Quality which resulted in a Consent Order dated September 3, 2003. Pursuant to the terms of the order, the County was required to provide a suitable remedy for a plume of contamination from Phase II of its landfill onto an adjoining property. The remediation procedures have been performed; a provision for ongoing monitoring costs arising from this action has been included in the landfill closure/postclosure liability.

The County was the subject of a lawsuit stemming from the contamination described above. This case reached trial in October 2009, and a jury returned a \$9 million judgment against the County. However, as of the auditor's report date the trial had not reached its final phase, including a possible additional award for attorney fees and any actions by the presiding judge to change the amounts awarded. Because this litigation is not final and because the County intends to appeal, management and the County's legal counsel believe that the ultimate outcome remains unclear. The County has included a provision for a portion of this amount in the landfill closure/postclosure liability. No additional amount was recorded in 2010 due to the uncertainty of the outcome of the case.

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. County officials believe that if any refunds are required they will be immaterial.

Revenue Bonds of Campbell County Utilities and Service Authority

The County Board of Supervisors has issued expressions of intent to provide the debt service payments on certain revenue bonds issued by the Campbell County Utilities and Service Authority (CCUSA). This support agreement is a non-binding obligation to appropriate to the CCUSA such funds as may be requested from time to time to pay these debt service costs for the life of the bonds, or 20 years. The County paid CCUSA approximately \$280,997 for debt service in fiscal year 2010. In turn, the County receives water and sewer access fees related to these projects. In 2010, the County received approximately \$39,234 in such fees.

Economic Development Incentive

The County has committed to subsidize the water bills of certain industries located off U.S. Route 460 on Mt. Athos near Lynchburg. These commitments will last for five more years. The annual cost of these subsidies is currently approximately \$85,000, which is a decrease from prior years due to regional water rate negotiations. These rates are expected to increase over the remaining life of the subsidies depending on the amount of water used and the rates charged by the provider, the City of Lynchburg. Campbell County has established an annual stabilization rate of \$120,000 and is budgeting that amount annually and carrying over the remaining balance to minimize the impact of future increases to the County budget.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 17—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Library Foundation

The County has agreed to provide \$700,000 in financing for a new library and recreation center, contingent upon the Library Foundation first raising \$2.1 million in private donations. The County expects to issue bonds to fund its share of the financing. At June 30, 2010 the Foundation had not yet raised these funds.

IDA - Adverse IRS Determination

The Internal Revenue Service (IRS) has concluded that certain revenue bonds issued in 1994 by the IDA on behalf of a private company do not qualify as tax exempt bonds. No estimate of any potential liability under this finding has been provided to the IDA, and the company is legally obligated to indemnify the IDA for any assessments. Management does not believe this action will result in expense to the IDA, and accordingly no liability has been recorded.

Construction Commitments

At June 30, 2010, the County had the following projects on-going and commitments in place for their completion:

<u>Project</u>	<u>Total Commitment</u>	<u>Spent- To-Date</u>	<u>Remaining Commitment</u>
New County Complex Construction	\$ 11,697,700	\$ 11,124,169	\$ 573,531
	<u>\$ 11,697,700</u>	<u>\$ 11,124,169</u>	<u>\$ 573,531</u>

NOTE 18—DEFICIT FUND BALANCE:

The following fund had a deficit fund balance at June 30, 2010:

<u>Fund</u>	<u>Amount</u>
School Construction Capital Projects	\$ (348,767)

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 19—NEW ACCOUNTING STANDARDS:

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides new fund balance classifications and clarifies governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement will be effective for the year ending June 30, 2011.

Management has not yet evaluated the effects, if any, of adopting these standards, but does not expect them to be material.

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 29,680,347	\$ 29,692,430	\$ 29,878,623	\$ 186,193
Other local taxes	8,580,846	8,581,819	8,520,653	(61,166)
Permits, privilege fees, and regulatory licenses	276,650	295,974	260,941	(35,033)
Fines and forfeitures	137,500	137,500	215,515	78,015
Revenue from the use of money and property	613,208	615,161	360,280	(254,881)
Charges for services	1,728,434	2,149,628	2,124,898	(24,730)
Miscellaneous	28,000	119,453	112,061	(7,392)
Recovered costs	315,588	315,588	311,572	(4,016)
Intergovernmental revenues:				
Commonwealth	14,758,143	15,416,538	13,511,230	(1,905,308)
Federal	3,208,829	3,737,314	3,353,850	(383,464)
Total revenues	\$ 59,327,545	\$ 61,061,405	\$ 58,649,623	\$ (2,411,782)
EXPENDITURES				
Current:				
General government administration				
Board of supervisors	\$ 114,031	\$ 115,678	\$ 105,010	\$ 10,668
County administrator	329,600	331,340	319,641	11,699
Independent auditor	74,350	75,600	70,850	4,750
Business auditor	52,915	52,681	51,866	815
Commissioner of the Revenue	401,890	386,993	367,650	19,343
Reassessment	334,671	353,586	282,436	71,150
Central purchasing	158,148	152,669	145,316	7,353
Legal services	194,190	271,062	259,005	12,057
Treasurer	502,076	497,509	451,815	45,694
Information systems	798,954	847,176	722,666	124,510
Management services	374,402	370,809	358,945	11,864
Vehicle licensing	31,061	31,068	30,407	661
Human resources	132,599	122,351	118,334	4,017
Other	449,104	508,276	446,439	61,837
Registrar	181,101	193,379	184,920	8,459
Total general government administration	\$ 4,129,092	\$ 4,310,177	\$ 3,915,300	\$ 394,877
Judicial administration				
Circuit court	\$ 80,924	\$ 83,079	\$ 76,332	\$ 6,747
General district court	13,470	14,477	11,748	2,729
Magistrates	2,071	2,071	1,083	988
Juvenile and domestic relations court	14,973	16,330	15,004	1,326
Clerk of the circuit court	519,591	630,615	510,155	120,460
Law library	6,750	6,750	6,010	740
Victim witness program	171,404	231,016	202,865	28,151
Commissioner of accounts	1,320	1,320	1,041	279
Commonwealth attorney	711,809	808,524	776,167	32,357
Total judicial administration	\$ 1,522,312	\$ 1,794,182	\$ 1,600,405	\$ 193,777

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2010 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Public safety				
Sheriff	\$ 4,397,065	\$ 4,864,076	\$ 4,404,226	\$ 459,850
E - 911 system	873,107	1,645,841	1,184,457	461,384
Fire departments	607,491	642,639	572,023	70,616
Ambulance and rescue services	382,119	926,489	912,662	13,827
Paid EMT services	1,000,000	1,499,661	1,135,044	364,617
Forest fire extinction service	18,566	18,941	18,941	-
Jail	1,750,000	2,298,197	2,298,196	1
Probation office	4,660	4,660	3,888	772
Local corrections	433,365	618,892	596,263	22,629
Building inspections	343,366	348,652	326,650	22,002
Animal control	220,828	225,148	218,019	7,129
Medical examiner	450	450	420	30
Emergency services	329,872	401,932	314,549	87,383
Total public safety	\$ 10,360,889	\$ 13,495,578	\$ 11,985,338	\$ 1,510,240
Public works				
Highway services	\$ 25,350	\$ 25,350	\$ 24,039	\$ 1,311
Street lights	7,500	8,500	8,050	450
Brookneal/Campbell airport	11,590	11,590	6,397	5,193
Maintenance of buildings and grounds	1,140,074	1,276,296	1,205,332	70,964
Public works administration	248,135	250,013	243,465	6,548
Total public works	\$ 1,432,649	\$ 1,571,749	\$ 1,487,283	\$ 84,466
Health and welfare				
Health department	\$ 396,551	\$ 396,551	\$ 391,638	\$ 4,913
Chapter X board	157,404	157,404	157,404	-
Welfare assistance and administration	7,445,491	7,533,503	6,398,310	1,135,193
At risk youth program	3,654,486	2,756,332	2,251,997	504,335
Housing assistance	102,621	102,961	97,492	5,469
Other health and welfare	18,405	93,807	93,807	-
Total health and welfare	\$ 11,774,958	\$ 11,040,558	\$ 9,390,648	\$ 1,649,910
Education				
Contribution to School Board				
Component unit	\$ 19,928,534	\$ 25,437,055	\$ 17,718,603	\$ 7,718,452
Total education	\$ 19,928,534	\$ 25,437,055	\$ 17,718,603	\$ 7,718,452

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2010 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Parks, recreation, and cultural				
Parks and recreation	\$ 638,108	\$ 657,504	\$ 601,832	\$ 55,672
Altavista armory	-	221,100	214,158	6,942
Community recreation	253,355	275,468	222,812	52,656
Historic landmarks	5,000	40,000	5,000	35,000
Library	922,778	937,879	901,610	36,269
Literacy	28,988	29,990	27,478	2,512
Total parks, recreation, and cultural	\$ 1,848,229	\$ 2,161,941	\$ 1,972,890	\$ 189,051
Community Development				
Zoning	\$ 378,564	\$ 391,490	\$ 366,308	\$ 25,182
Economic development	466,285	1,332,159	620,864	711,295
Planning	140,000	140,000	140,000	-
Campbell County Utility Service Authority	199,934	343,031	301,629	41,402
Soil and water conservation district	15,700	66,700	16,599	50,101
Cooperation extension program	67,576	67,576	66,787	789
Total community development	\$ 1,268,059	\$ 2,340,956	\$ 1,512,187	\$ 828,769
Debt Service				
Principal	\$ 3,007,154	\$ 4,563,288	\$ 3,007,153	\$ 1,556,135
Interest and fiscal charges	2,198,454	2,577,494	2,573,403	4,091
Total debt service	\$ 5,205,608	\$ 7,140,782	\$ 5,580,556	\$ 1,560,226
Nondepartmental	\$ (200,000)	\$ (200,000)	-	(200,000)
Total expenditures	\$ 57,270,330	\$ 69,092,978	\$ 55,163,210	\$ 13,929,768
Excess (deficiency) of revenues over (under) expenditures	\$ 2,057,215	\$ (8,031,573)	\$ 3,486,413	\$ 11,517,986
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 757,213	\$ 757,213	-
Transfers out	(2,049,570)	(2,088,839)	(2,088,839)	-
Total other financing sources and uses	\$ (2,049,570)	\$ (1,331,626)	\$ (1,331,626)	-
Net change in fund balances	\$ 7,645	\$ (9,363,199)	\$ 2,154,787	\$ 11,517,986

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Solid Waste Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ 35,000	\$ 35,000	\$ 10,839	\$ (24,161)
Charges for services	1,010,000	1,010,000	1,005,159	(4,841)
Intergovernmental revenues:				
Commonwealth	15,264	15,264	13,358	(1,906)
Total revenues	\$ 1,060,264	\$ 1,060,264	\$ 1,029,356	\$ (30,908)
EXPENDITURES				
Current:				
Public Works - Solid Waste	\$ 1,657,834	\$ 2,932,692	\$ 2,739,146	\$ 193,546
Total expenditures	\$ 1,657,834	\$ 2,932,692	\$ 2,739,146	\$ 193,546
Excess (deficiency) of revenues over (under) expenditures	\$ (597,570)	\$ (1,872,428)	\$ (1,709,790)	\$ 162,638
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 597,570	\$ 599,756	\$ 599,756	\$ -
Total other financing sources and uses	\$ 597,570	\$ 599,756	\$ 599,756	\$ -
Net change in fund balances	\$ -	\$ (1,272,672)	\$ (1,110,034)	\$ 162,638

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Schedule of Pension Funding Progress - Virginia Retirement System

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ 41,655,860	\$ 46,492,715	\$ 4,836,855	89.60%	\$ 11,449,284	42.25%
6/30/2008	41,219,964	44,722,984	3,503,020	92.17%	12,247,984	28.60%
6/30/2007	37,529,945	39,204,847	1,674,902	95.73%	11,329,026	14.78%

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ 10,951,440	\$ 11,900,346	\$ 948,906	92.03%	\$ 3,060,653	31.00%
6/30/2008	10,934,486	11,518,331	583,845	94.93%	3,028,141	19.28%
6/30/2007	10,043,849	10,865,678	821,829	92.44%	2,955,092	27.81%

Required Supplementary Information
 Schedule of Funding Progress - Other Post-Employment Benefits

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2008	\$ -	\$ 6,926,245	\$ 6,926,245	0.00%	\$ 11,407,402	60.72%

School Board:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2008	\$ -	\$ 23,562,505	\$ 23,562,505	0.00%	\$ 42,144,022	55.91%

The actuarial valuation is prepared every two years. The County and School Board implemented GASB Statement 45 for the year ended June 30, 2009.

OTHER SUPPLEMENTARY INFORMATION

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Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Capital Projects Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 75,000	\$ 75,000	\$ 15,633	\$ (59,367)
Miscellaneous	-	-	171,265	171,265
Intergovernmental revenues:				
Commonwealth	174,316	204,420	178,920	(25,500)
Total revenues	\$ 249,316	\$ 279,420	\$ 365,818	\$ 86,398
EXPENDITURES				
Current:				
Capital projects	\$ 2,730,192	\$ 9,785,808	\$ 5,621,849	\$ 4,163,959
Total expenditures	\$ 2,730,192	\$ 9,785,808	\$ 5,621,849	\$ 4,163,959
Excess (deficiency) of revenues over (under) expenditures	\$ (2,480,876)	\$ (9,506,388)	\$ (5,256,031)	\$ 4,250,357
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,452,000	\$ 1,489,083	\$ 1,489,083	\$ -
Transfers out	-	(390,655)	(390,655)	-
Total other financing sources and uses	\$ 1,452,000	\$ 1,098,428	\$ 1,098,428	\$ -
Net change in fund balances	\$ (1,028,876)	\$ (8,407,960)	\$ (4,157,603)	\$ 4,250,357

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 School Construction Capital Projects Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital projects	\$ -	\$ 1,218,615	\$ 1,204,837	\$ 13,778
Total expenditures	\$ -	\$ 1,218,615	\$ 1,204,837	\$ 13,778
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,218,615)	\$ (1,204,837)	\$ 13,778
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (366,558)	\$ (366,558)	\$ -
Total other financing sources and uses	\$ -	\$ (366,558)	\$ (366,558)	\$ -
Net change in fund balances	\$ -	\$ (1,585,173)	\$ (1,571,395)	\$ 13,778

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2010

	<u>Special Welfare</u>	<u>Drug Enforcement</u>	<u>Commonwealth Attorney Drug Fund</u>	<u>Flexible Benefits</u>	<u>County Agency</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ <u>49,175</u>	\$ <u>120,016</u>	\$ <u>46,237</u>	\$ <u>67,410</u>	\$ <u>18,162</u>	\$ <u>301,000</u>
LIABILITIES						
Amounts held for others	\$ <u>49,175</u>	\$ <u>120,016</u>	\$ <u>46,237</u>	\$ <u>67,410</u>	\$ <u>18,162</u>	\$ <u>301,000</u>
NET ASSETS	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ <u>39,147</u>	\$ <u>140,675</u>	\$ <u>130,647</u>	\$ <u>49,175</u>
Liabilities:				
Amounts held for social service clients	\$ <u>39,147</u>	\$ <u>140,675</u>	\$ <u>130,647</u>	\$ <u>49,175</u>
Drug Enforcement:				
Assets:				
Cash and cash equivalents	\$ <u>100,095</u>	\$ <u>54,385</u>	\$ <u>34,464</u>	\$ <u>120,016</u>
Liabilities:				
Amounts held for others	\$ <u>100,095</u>	\$ <u>54,385</u>	\$ <u>34,464</u>	\$ <u>120,016</u>
Commonwealth Attorney Drug Fund:				
Assets:				
Cash and cash equivalents	\$ <u>40,321</u>	\$ <u>6,849</u>	\$ <u>933</u>	\$ <u>46,237</u>
Liabilities:				
Amounts held for others	\$ <u>40,321</u>	\$ <u>6,849</u>	\$ <u>933</u>	\$ <u>46,237</u>
Flexible Benefits:				
Assets:				
Cash and cash equivalents	\$ <u>58,652</u>	\$ <u>2,717,063</u>	\$ <u>2,708,305</u>	\$ <u>67,410</u>
Liabilities:				
Amounts held for others	\$ <u>58,652</u>	\$ <u>2,717,063</u>	\$ <u>2,708,305</u>	\$ <u>67,410</u>
County Agency:				
Assets:				
Cash and cash equivalents	\$ <u>15,328</u>	\$ <u>2,834</u>	\$ <u>-</u>	\$ <u>18,162</u>
Liabilities:				
Amounts held for others	\$ <u>15,328</u>	\$ <u>2,834</u>	\$ <u>-</u>	\$ <u>18,162</u>

Combining Balance Sheet

Discretely Presented Component Unit - School Board

June 30, 2010

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,812,500	\$ 1,136,225	\$ 1,436,220	\$ 8,384,945
Due from primary government	-	-	298,020	298,020
Receivables (net of allowance for uncollectibles):				
Accounts receivable	3,593	216	-	3,809
Due from other governmental units	4,271,893	-	-	4,271,893
Prepaid items	388,700	14,947	-	403,647
Total assets	<u>\$ 10,476,686</u>	<u>\$ 1,151,388</u>	<u>\$ 1,734,240</u>	<u>\$ 13,362,314</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,292,148	\$ 13,326	\$ -	\$ 1,305,474
Accrued liabilities	6,395,501	210,050	-	6,605,551
Due to primary government	2,400,321	-	-	2,400,321
Total liabilities	<u>\$ 10,087,970</u>	<u>\$ 223,376</u>	<u>\$ -</u>	<u>\$ 10,311,346</u>
Fund balances:				
Reserved for:				
Special education programs	\$ 16	\$ -	\$ -	\$ 16
Encumbrances	6,090,059	-	-	6,090,059
Prepaid items	388,700	14,947	-	403,647
Unreserved:				
Undesignated	(6,090,059)	913,065	1,734,240	(3,442,754)
Total fund balances	<u>\$ 388,716</u>	<u>\$ 928,012</u>	<u>\$ 1,734,240</u>	<u>\$ 3,050,968</u>
Total liabilities and fund balances	<u>\$ 10,476,686</u>	<u>\$ 1,151,388</u>	<u>\$ 1,734,240</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds (Cost of \$29,419,586 and accumulated depreciation of \$20,956,440)	\$ 8,463,146
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Other post-employment benefits	\$ (1,319,729)
Compensated absences	<u>(330,225)</u>
Net assets of governmental activities	<u>\$ 9,864,160</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2010

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 3,468	\$ 1,959	\$ 4,361	\$ 9,788
Charges for services	142,940	1,579,540	-	1,722,480
Miscellaneous	103,029	16,478	-	119,507
Recovered costs	411,908	-	-	411,908
Intergovernmental revenues:				
Local government	17,718,603	-	-	17,718,603
Commonwealth	47,159,092	64,860	-	47,223,952
Federal	9,342,146	2,058,287	-	11,400,433
Total revenues	<u>\$ 74,881,186</u>	<u>\$ 3,721,124</u>	<u>\$ 4,361</u>	<u>\$ 78,606,671</u>
EXPENDITURES				
Current:				
Education	\$ 74,870,271	\$ 3,672,140	\$ -	\$ 78,542,411
Capital projects	-	-	66,495	66,495
Total expenditures	<u>\$ 74,870,271</u>	<u>\$ 3,672,140</u>	<u>\$ 66,495</u>	<u>\$ 78,608,906</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10,915</u>	<u>\$ 48,984</u>	<u>\$ (62,134)</u>	<u>\$ (2,235)</u>
Net change in fund balances	\$ 10,915	\$ 48,984	\$ (62,134)	\$ (2,235)
Fund balances - beginning	377,801	879,028	1,796,374	3,053,203
Fund balances - ending	<u>\$ 388,716</u>	<u>\$ 928,012</u>	<u>\$ 1,734,240</u>	<u>\$ 3,050,968</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ (2,235)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capitalized expenditures

Capital outlay	\$ 1,179,371	
Depreciation expense	<u>(1,424,411)</u>	(245,040)
Government to the Component Unit		

Change in inventory balance reported in the Statement of Net Assets (82,268)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

(Increase)/decrease in compensated absences	\$ (70,128)	
(Increase)/decrease in other post-employment benefits obligation	<u>(602,287)</u>	(672,415)

Change in net assets of governmental activities \$ (1,001,958)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 3,500	\$ 3,500	\$ 3,468	\$ (32)
Charges for services	121,500	121,500	142,940	21,440
Miscellaneous	26,500	104,331	103,029	(1,302)
Recovered costs	190,500	412,708	411,908	(800)
Intergovernmental revenues:				
Local government	19,928,534	25,437,055	17,718,603	(7,718,452)
Commonwealth	51,165,594	49,299,988	47,159,092	(2,140,896)
Federal	8,319,568	13,475,120	9,342,146	(4,132,974)
Total revenues	\$ 79,755,696	\$ 88,854,202	\$ 74,881,186	\$ (13,973,016)
EXPENDITURES				
Current:				
Instruction	\$ 58,705,189	\$ 63,729,457	\$ 53,996,265	\$ 9,733,192
Administration, attendance and health	3,449,904	3,573,200	3,292,367	280,833
Pupil transportation	4,941,333	5,139,787	4,667,769	472,018
Operation and maintenance services	8,016,917	8,886,103	7,495,767	1,390,336
Technology	4,642,353	7,525,655	5,418,103	2,107,552
Total expenditures	\$ 79,755,696	\$ 88,854,202	\$ 74,870,271	\$ 13,983,931
Excess (deficiency) of revenues over (under)				
expenditures	\$ -	\$ -	\$ 10,915	\$ 10,915
Net change in fund balances	\$ -	\$ -	\$ 10,915	\$ 10,915

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Statement of Net Assets
 Proprietary Fund - Discretely Presented Component Unit -
 June 30, 2010

	<u>Enterprise Fund</u>
ASSETS	
Cash and cash equivalents	\$ 328,023
Receivables (net of allowance for uncollectibles):	
Accounts receivable	993
Due from primary government	145,651
Total assets	\$ <u>474,667</u>
LIABILITIES	
Due to primary government	\$ 6,000
Performance grants payable:	
Due within one year	100,651
Due in more than one year	45,000
Total liabilities	\$ <u>151,651</u>
NET ASSETS - UNRESTRICTED	\$ <u><u>323,016</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2010

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Miscellaneous	\$ 9,714
Total operating revenues	<u>\$ 9,714</u>
OPERATING EXPENDITURES	
Economic incentive grants	\$ 177,206
Other operating costs	1,343
Total operating expenditures	<u>\$ 178,549</u>
Operating income (loss)	\$ (168,835)
NONOPERATING REVENUES (EXPENDITURES)	
Contributions from Campbell County	\$ 177,206
Interest income	5,869
Net nonoperating revenues (expenditures)	<u>\$ 183,075</u>
Change in net assets	<u>\$ 14,240</u>
Fund balances - beginning	\$ 308,776
Fund balances - ending	<u><u>\$ 323,016</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2010

	<u>Enterprise Fund</u>
OPERATING ACTIVITIES	
Receipts from grantors and customers	\$ 9,737
Payments to grantees and suppliers	(249,954)
Net cash provided by / (used in) operating activities	<u>\$ (240,217)</u>
NONCAPITAL FINANCING ACTIVITIES	
Contributions from Campbell County	\$ 248,611
Net cash provided by / (used in) noncapital financing activities	<u>\$ 248,611</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Income	\$ 5,869
Net cash provided by / (used in) capital and related financing activities	<u>\$ 5,869</u>
Net increase / (decrease) in cash and cash equivalents	\$ 14,263
CASH AND CASH EQUIVALENTS	
Cash balance - beginning	313,760
Cash balance - ending	<u><u>\$ 328,023</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income (loss)	\$ (168,835)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Change in assets and liabilities:	
(Increase) / decrease in accounts receivable	23
Increase / (decrease) in performance grants payable	(71,405)
Net cash used in operating activities	<u><u>\$ (240,217)</u></u>

Other Statistical Information

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.

1 - 4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

5 - 7

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

8 - 9

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

10-14

Sources: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2005; schedules presenting government-wide information include information beginning in that year.

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COUNTY OF CAMPBELL, VIRGINIA

Table 1

Net Assets by Component
Last Six Fiscal Years
(*accrual basis of accounting*)

	2005	2006	2007	2008	2009	2010
Primary government						
Governmental activities						
Invested in capital assets, net of related debt	\$ 21,669,556	\$ 28,478,148	\$ 30,237,231	\$ 39,715,828	\$ 31,775,484	\$ 28,284,570
Restricted	7,638,827	1,239,449	-	-	-	-
Unrestricted	14,266,395	11,235,965	16,516,792	11,756,092	20,312,047	23,778,379
Total governmental activities net assets	<u>\$ 43,574,778</u>	<u>\$ 40,953,562</u>	<u>\$ 46,754,023</u>	<u>\$ 51,471,920</u>	<u>\$ 52,087,531</u>	<u>\$ 52,062,949</u>

Note: Accrual-basis financial information is available back to fiscal year 2005 when the County implemented GASB 34.

COUNTY OF CAMPBELL, VIRGINIA

Table 2
Page 1 of 2

Changes in Net Assets
Last Six Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010
Expenses						
Governmental activities:						
General government administration	\$ 9,941,425	\$ 10,769,897	\$ 10,442,305	\$ 10,558,342	\$ 13,001,378	\$ 12,928,427
Judicial administration	1,717,599	1,790,192	1,442,333	1,528,774	1,637,800	1,708,920
Public safety	7,896,036	8,660,249	9,595,475	10,869,255	11,261,624	13,092,272
Public works	5,710,494	4,573,187	4,547,485	5,432,700	7,721,687	5,397,503
Health and welfare	9,238,509	9,699,537	11,038,564	11,738,042	10,582,093	9,613,637
Education	17,023,061	21,872,581	18,929,774	20,812,779	18,207,914	19,502,314
Parks, recreation and cultural	1,690,409	1,755,200	1,871,066	1,933,983	1,866,239	2,083,747
Community development	1,652,963	3,002,164	2,134,058	2,139,589	2,139,309	1,572,293
Interest on long-term debt	1,008,709	1,275,358	1,185,531	1,123,787	2,568,222	2,515,923
Total governmental activities expenses	\$ 55,879,205	\$ 63,398,365	\$ 61,186,591	\$ 66,137,251	\$ 68,986,266	\$ 68,415,036
Total primary government expenses	\$ 55,879,205	\$ 63,398,365	\$ 61,186,591	\$ 66,137,251	\$ 68,986,266	\$ 68,415,036
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 6,821,627	\$ 7,728,331	\$ 8,569,047	\$ 9,541,595	\$ 9,319,950	\$ 8,895,934
Judicial administration	111,595	136,082	118,653	111,540	85,601	122,019
Public safety	462,834	511,544	1,322,373	1,348,131	1,706,266	1,958,620
Public works	1,049,226	1,295,080	1,343,752	1,105,008	945,665	1,005,159
Health and welfare	-	-	-	-	-	34,680
Parks, recreation and cultural	204,412	223,948	226,963	234,040	227,362	249,297
Community development	-	-	-	-	-	48,943
Operating grants and contributions	10,295,570	11,212,583	12,571,430	13,171,193	12,425,500	11,558,109
Capital grants and contributions	374,983	1,366,882	659,373	1,181,992	246,851	585,146
Total governmental activities program revenues	\$ 19,320,247	\$ 22,474,450	\$ 24,811,591	\$ 26,693,499	\$ 24,957,195	\$ 24,457,907
Total primary government program revenues	\$ 19,320,247	\$ 22,474,450	\$ 24,811,591	\$ 26,693,499	\$ 24,957,195	\$ 24,457,907
Net (expense) / revenue						
Governmental activities	\$ (36,558,958)	\$ (40,923,915)	\$ (36,375,000)	\$ (39,443,752)	\$ (44,029,071)	\$ (43,957,129)
Total primary government net expense	\$ (36,558,958)	\$ (40,923,915)	\$ (36,375,000)	\$ (39,443,752)	\$ (44,029,071)	\$ (43,957,129)

COUNTY OF CAMPBELL, VIRGINIA

Table 2
Page 2 of 2

Changes in Net Assets
Last Six Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Property taxes	\$ 24,112,674	\$ 25,384,031	\$ 26,181,462	\$ 27,801,209	\$ 29,695,573	\$ 29,816,678
Other local taxes **	8,992,259	9,001,449	9,985,749	10,409,697	10,044,925	8,520,653
Interest and Investment income	672,786	1,321,908	1,641,200	1,406,527	1,047,057	397,787
Unrestricted grants and contributions	3,765,191	3,947,082	4,092,302	4,051,899	4,013,350	4,914,103
Other	212,718	236,053	274,748	344,739	351,051	283,326
Gain (loss) on sale of capital assets *	805,142	-	-	147,578	(507,274)	-
Total governmental activities	\$ 38,560,770	\$ 39,890,523	\$ 42,175,461	\$ 44,161,649	\$ 44,644,682	\$ 43,932,547
Total primary government	\$ 38,560,770	\$ 39,890,523	\$ 42,175,461	\$ 44,161,649	\$ 44,644,682	\$ 43,932,547
Change in Net Assets						
Governmental activities	\$ 2,001,812	\$ (1,033,392)	\$ 5,800,461	\$ 4,717,897	\$ 615,611	\$ (24,582)
Total primary government	\$ 2,001,812	\$ (1,033,392)	\$ 5,800,461	\$ 4,717,897	\$ 615,611	\$ (24,582)

Note: Accrual-basis financial information is available back to fiscal year 2005 when the County implemented GASB 34.

* As of fiscal year 2010 (loss) on sale of capital assets is reported within the expense function.

** As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as unrestricted grants and contributions.

COUNTY OF CAMPBELL, VIRGINIA

Table 3

Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010
General fund						
Reserved	\$ 458,843	\$ 461,700	\$ 805,534	\$ 1,205,792	\$ 1,302,297	\$ 1,251,774
Unreserved:						
Designated	5,325,348	5,647,091	5,300,955	5,326,719	7,212,014	8,540,762
Undesignated	9,475,953	8,858,777	9,068,757	10,170,316	12,884,404	13,760,966
Total general fund	\$ 15,260,144	\$ 14,967,568	\$ 15,175,246	\$ 16,702,827	\$ 21,398,715	\$ 23,553,502
All other governmental funds						
Reserved	\$ 8,549,132	\$ 2,779,309	\$ 2,052,726	\$ 11,790,190	\$ 7,524,054	\$ 916,524
Unreserved, reported in:						
Special revenue funds	417,066	559,314	502,654	2,837,950	3,355,746	2,301,181
Capital projects funds	5,403,193	4,214,182	6,690,341	19,908,448	2,247,383	3,070,446
Total all other governmental funds	\$ 14,369,391	\$ 7,552,805	\$ 9,245,721	\$ 34,536,588	\$ 13,127,183	\$ 6,288,151
Total fund balance, governmental funds	\$ 29,629,535	\$ 22,520,373	\$ 24,420,967	\$ 51,239,415	\$ 34,525,898	\$ 29,841,653

Note: The County implemented GASB Statement 44 in fiscal year 2005. Ten years of date will be accumulated over time.

COUNTY OF CAMPBELL, VIRGINIA

Table 4

Changes in Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010
Revenues						
General property taxes	\$ 23,928,684	\$ 25,646,344	\$ 26,191,914	\$ 27,687,218	\$ 29,656,273	\$ 29,878,623
Other local taxes	8,992,259	9,001,449	9,985,749	10,409,697	10,044,925	8,520,653
Permits, privilege fees and regulatory licenses	324,390	382,254	397,580	373,627	295,858	260,941
Fines and forfeitures	133,364	122,262	137,224	160,047	157,178	215,515
Revenue from use of money and property	634,832	1,263,526	1,534,263	1,334,532	998,803	386,752
Charges for services	1,761,000	2,109,654	2,787,445	2,937,786	2,977,873	3,130,057
Miscellaneous	212,718	236,053	274,748	344,740	358,953	283,326
Recovered costs	188,316	278,295	292,641	303,760	302,932	311,572
Intergovernmental	14,435,743	16,251,097	17,260,605	18,405,084	16,685,701	17,057,358
Total revenues	\$ 50,611,306	\$ 55,290,934	\$ 58,862,169	\$ 61,956,491	\$ 61,478,496	\$ 60,044,797
Expenditures						
General government administration	\$ 3,308,198	\$ 3,378,466	\$ 3,638,781	\$ 3,934,042	\$ 4,016,873	\$ 3,915,300
Judicial administration	1,628,951	1,713,703	1,415,742	1,498,818	1,569,234	1,600,405
Public safety	7,114,334	8,132,163	9,148,605	9,891,105	10,177,131	11,985,338
Public works	1,861,671	2,108,693	2,473,011	3,673,818	3,566,034	4,226,429
Health and welfare	9,100,767	9,575,423	10,973,695	11,836,735	10,521,422	9,390,648
Education	15,761,459	19,650,698	17,418,375	19,286,028	16,633,517	17,718,603
Parks, recreation and cultural	1,572,665	1,657,866	1,721,718	1,806,558	1,766,398	1,972,890
Community development	1,231,551	1,422,436	1,991,215	1,605,571	1,805,956	1,512,187
Capital projects	5,917,076	10,950,983	4,422,204	13,095,157	23,220,618	6,826,686
Debt service						
Principal	2,284,782	2,262,480	2,513,356	2,483,080	2,656,078	3,007,153
Interest and other fiscal charges	986,672	1,189,582	1,244,873	1,257,691	2,617,944	2,573,403
Total expenditures	\$ 50,768,126	\$ 62,042,493	\$ 56,961,575	\$ 70,368,603	\$ 78,551,205	\$ 64,729,042
Excess of revenues over (under) expenditures	\$ (156,820)	\$ (6,751,559)	\$ 1,900,594	\$ (8,412,112)	\$ (17,072,709)	\$ (4,684,245)
Other financing sources (uses)						
Transfers in	\$ 2,741,859	\$ 3,370,764	\$ 5,678,421	\$ 7,902,569	\$ 2,340,457	\$ 2,846,052
Transfers out	(2,741,859)	(3,870,764)	(5,678,421)	(7,902,569)	(2,340,457)	(2,846,052)
Sale of capital assets	885,200	-	-	355,560	359,192	-
Bond proceeds	8,685,000	-	-	34,875,000	-	-
Capital lease proceeds	-	142,397	-	-	-	-
Premium on bonds issued	516,636	-	-	-	-	-
Total other financing sources (uses)	\$ 10,086,836	\$ (357,603)	\$ -	\$ 35,230,560	\$ 359,192	\$ -
Net change in fund balances	\$ 9,930,016	\$ (7,109,162)	\$ 1,900,594	\$ 26,818,448	\$ (16,713,517)	\$ (4,684,245)
Debt service as a percentage of noncapital expenditures	7.00%	6.30%	7.00%	6.20%	8.70%	9.47%

Note: The County implemented GASB Statement 44 in fiscal year 2005. Ten years of date will be accumulated over time.

* As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as noncategorical aid from the Commonwealth of Virginia.

COUNTY OF CAMPBELL, VIRGINIA

Table 5

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital (2)	Public Service	Total Taxable Assessed Value	Total Direct Tax Rate (4)	Overlapping Tax Rates		Estimated Actual Taxable Value (3)	Assessed Value as a Percentage of Actual Value
									Town of Brookneal	Altavista		
2001	\$ 1,769,201,888	\$ 219,522,392	\$ 43,956,989	\$ 144,134,778	\$ 33,684,302	\$ 162,093,425	\$ 2,372,593,774	\$ 0.97	\$ 0.17	\$ 0.165	\$ 2,592,116,166	91.53%
2002	1,815,958,905	230,499,618	46,839,471	137,417,453	33,500,127	165,479,181	2,429,694,755	1.01	N/A	N/A	2,660,194,373	91.34%
2003	1,846,570,202	224,365,237	48,708,361	142,057,268	14,217,333	208,240,055	2,484,158,456	0.98	N/A	N/A	2,708,523,693	91.72%
2004	2,349,633,038	223,444,023	41,469,800	148,082,517	-	228,733,787	2,991,363,165	0.93	N/A	N/A	3,214,807,188	93.05%
2005	2,542,452,906	233,768,971	40,138,564	154,967,665	-	215,735,186	3,187,063,292	0.90	N/A	N/A	3,420,832,263	93.17%
2006	2,601,326,824	244,399,720	37,759,625	161,101,468	-	200,396,983	3,244,984,620	0.91	N/A	N/A	3,489,384,340	93.00%
2007	2,651,326,904	263,432,872	38,559,730	166,449,183	-	188,588,574	3,308,357,263	0.92	N/A	N/A	3,571,790,135	92.62%
2008	3,544,470,652	283,008,367	35,253,947	165,736,642	-	218,197,839	4,246,667,447	0.77	N/A	N/A	4,529,675,814	93.75%
2009	3,627,444,441	290,675,456	35,812,054	178,158,301	-	227,290,354	4,359,380,606	0.80	N/A	N/A	4,650,056,062	93.75%
2010	3,446,391,746	275,659,287	38,104,148	181,371,640	-	225,843,782	4,167,370,603	0.80	N/A	N/A	4,443,029,890	93.80%

(1) Assessed value is as of January 1 of the previous fiscal year; does not include tax exempt property

(2) Merchants' capital is no longer assessed as of fiscal year 2004

(3) Real estate, mobile homes, and machinery and tools taxes are assessed on a taxable property value which is 100% of estimated fair market value

(4) Personal property taxes are assessed on a taxable property value which is 50% of fair market.

Per \$100 of assessed value.

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA

Table 6

Principal Property Taxpayers
Current Year and the Five Years Prior

Taxpayer	Fiscal Year 2010			Fiscal Year 2006		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
BWX Tech, Inc	\$ 72,406,734	1	1.76%	\$ 55,121,313	2	1.70%
Abbott Laboratories (Ross)	63,884,424	2	1.55%	59,488,251	1	1.83%
AREVA NP Inc (Framatone)	31,176,182	3	0.76%	22,903,620	5	0.71%
BGF Industries Inc	24,456,141	4	0.59%	23,188,763	4	0.71%
Georgia Pacific Wood Prod LLC	23,928,065	5	0.58%	23,642,211	3	0.73%
Timken Company	22,563,275	6	0.55%	20,109,625	6	0.62%
Intermet Archer Creek Plant	19,339,111	7	0.47%	18,377,950	7	0.57%
Progress Printing Company	15,962,724	8	0.39%	12,598,190	8	0.39%
Schrader-Bridgeport International	13,642,431	9	0.33%	11,167,998	9	0.34%
Boxley Materials Company Inc	8,019,110	10	0.19%	-	-	-
Dan River, Inc.	-		0.00%	9,090,082	10	0.28%
	<u>\$ 295,378,197</u>		<u>7.17%</u>	<u>\$ 255,688,003</u>		<u>7.88%</u>

Note: Information from nine years ago not available

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA

Table 7

Property Tax Levies and Collections
Last Ten Fiscal Years

Year Ended June 30	Current Tax Levy (1)	Collections in Year of Levy			Collections in Subsequent Years	Total Collections to Date	
		Current Tax Amount	Percent of Levy Collected			Total Tax Collections	Percent of Levy Collected
2001	\$ 24,024,232	\$ 22,978,184	95.65%	\$	178,247	\$ 23,156,431	96.39%
2002	24,376,405	22,833,027	93.67%		538,441	23,371,468	95.88%
2003	24,928,070	24,288,885	97.44%		423,771	24,712,656	99.14%
2004	27,063,435	26,374,691	97.46%		673,191	27,047,882	99.94%
2005	27,014,093	26,199,858	96.99%		617,842	26,817,700	99.27%
2006	29,425,081	28,544,069	97.01%		843,408	29,387,477	99.87%
2007	30,130,010	29,453,668	97.76%		583,423	30,037,091	99.69%
2008	31,437,939	30,569,832	97.24%		308,509	30,878,341	98.22%
2009	33,407,401	32,226,034	96.46%		915,667	33,141,701	99.20%
2010	33,210,365	32,310,883	97.29%		-	32,310,883	97.29%

(1) Exclusive of penalties and interest.

COUNTY OF CAMPBELL, VIRGINIA

Table 8

Ratios of Total Outstanding Debt
Last Ten Fiscal Years

Fiscal Years	Governmental Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General		Literary Fund Loans	Capital Leases				
	Obligation Bonds							
2001	\$	16,232,378	\$	18,918,958	\$	-	\$	1,071.88
2002		14,884,933		18,060,438		-		1,142.77
2003		13,573,094		17,356,748		-		1,204.33
2004		12,295,607		16,305,825		-		584.45
2005		19,746,749		15,254,902		-		640.96
2006		18,540,374		14,203,978		137,215		689.01
2007		17,110,316		13,153,056		104,840		557.00
2008		50,571,354		12,118,623		70,156		605.54
2009		48,983,271		11,087,788		32,994		645.00
2010		46,999,872		10,064,034		-		688.19

Note: All of the County's debt is a direct obligation of the County; the County has no overlapping debt.

(1) Source - U.S. Department of Commerce, Bureau of Economic Analysis; Commencing 2008, data for Campbell County is combined with Lynchburg City. Separate data is no longer available.

COUNTY OF CAMPBELL, VIRGINIA

Table 9

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	General Obligation		Literary Fund		Total	Percentage of Actual Value of Taxable Property (2)	Total General Bonded Debt Per Capita (1)
	Bonds		Loans				
2001	\$	16,232,378	\$	18,918,958	\$ 35,151,336	1.36%	\$ 693
2002		14,884,933		18,060,438	32,945,371	1.24%	649
2003		13,573,094		17,356,748	30,929,842	1.14%	611
2004		12,295,607		16,305,825	28,601,432	0.89%	563
2005		19,746,749		15,254,902	35,001,651	1.02%	682
2006		18,540,374		14,203,978	32,744,352	0.94%	630
2007		17,110,316		13,153,056	30,263,372	0.85%	581
2008		50,571,354		12,118,623	62,689,977	1.38%	1,205
2009		48,983,271		11,087,788	60,071,059	1.29%	1,150
2010		46,999,872		10,064,034	57,063,906	1.28%	1,092

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 5

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans; excludes capital leases and compensated absences.

COUNTY OF CAMPBELL, VIRGINIA

Table 10

Principal Employers
Current Year

Employer	Industry	2010		
		Employees	Rank	% of Total Employment
BWX Technologies	Nuclear	1,500- 2,499	1	5.8% - 9.7%
Campbell County Schools	Public Education	1,653	2	6.4%
Abbott Industries (Ross)	Pharmaceuticals	300 -599	3	1.2% - 2.3%
BGF Industries	Fiberglass fabric	300 -599	4	1.2% - 2.3%
Campbell County Govt	Local Government	544	5	2.1%
BAT Masonry Co, Inc.	Contractor	100-299	6	0.4% - 1.2%
Georgia Pacific	Wood products	100-299	7	0.4% - 1.2%
Moore's Electric & Mech.	Contractor/Electrical	100-299	8	0.4% - 1.2%
Progress Printing	Commercial Printing	100-299	9	0.4% - 1.2%
Schrader - Bridgeport Intl.	Auto/Industrial Parts	100-299	10	0.4% - 1.2%
The Timken Company	Roller Bearings	100-299	11	0.4% - 1.2%
Totals		4,897 - 7,688		19.0% - 29.9%

Note: Information from nine years ago not available
Statistics include part-time employees

Source: Employer data; Virginia Employment Commission - as of May 2010

COUNTY OF CAMPBELL, VIRGINIA

Table 11

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Personal			School Enrollment(3)	Unemployment Rate (2)
	Population (1)	Income (in thousands) (4)	Per Capita Income (2)		
2001	50,700	\$ 1,266,809	\$ 24,986	8,657	6.20%
2002	50,800	1,280,689	25,210	8,683	5.40%
2003	50,600	1,307,941	25,849	8,701	4.40%
2004	50,800	1,391,474	27,391	8,592	4.19%
2005	51,300	1,408,808	27,462	8,630	3.40%
2006	52,016	1,408,808	27,084	8,557	3.20%
2007	52,112	1,488,006	29,445	8,517	3.40%
2008	52,595	1,682,830	31,996	8,485	4.00%
2009	52,237	n/a*	n/a*	8,581	7.20%

(1) Population is based on figures available from Weldon Cooper Center, University of Virginia.

(2) Source - U.S. Department of Commerce, Bureau of Economic Analysis, for Campbell + Lynchburg

(3) Source - Campbell County School Administration.

(4) Source - U.S. Department of Commerce, Bureau of Economic Analysis; Commencing 2008, data for Campbell County is combined with Lynchburg City. Separate data is no longer available.

* Updated information not available

COUNTY OF CAMPBELL, VIRGINIA

Table 12

Full-Time Equivalent County Government Employees By Function
Last Six Fiscal Years

	2005	2006	2007	2008	2009	2010
Primary Government						
Function:						
General government	43	42	44	43	43	42
Judicial administration *	18	18	18	20	20	20
Public safety **	92	93	99	103	106	116
Public works	29	30	33	33	33	33
Health and welfare	81	82	82	82	82	82
Culture and recreation	22	22	22	22	22	22
Community development	8	8	8	8	9	9
Totals	293	295	306	311	315	324
Component Unit - School Board						
Function:						
Education - full and part-time	1334	1324	1347	1328	1343	1362

* Staff increases

** Staff increases in Public Safety in FY08 resulted from the hiring of two additional deputy sheriffs and two additional E-911 dispatchers. Staff increases in Public Safety from FY06 thru FY10 resulted from the hiring of sixteen career EMT technicians, one EMT program manager and one assistant fire marshal in line with the County transitioning away from an all all-volunteer rescue squad program.

Source: Human Resources and annual fiscal year budget

(1) The County implemented GASB Statement 44, the new statistical section in fiscal year 2005. Therefore, ten years of data is not available, but will be accumulated over time.

COUNTY OF CAMPBELL, VIRGINIA

Table 13

Operating Indicators By Function
Last Six Fiscal Years

Function	2005	2006	2007	2008	2009	2010
Public safety						
Sheriffs department:						
Physical arrests	2,801	2,309	2,677	2,649	2,683	4,398
Parking violations	0	66	60	56	21	21
Traffic violations	1,056	1,129	1,618	1,592	1,306	1,561
Court security manhours worked	4,063	6,024	6,438	6,216	6,420	7,532
Prisoner transports	277	254	357	269	285	435
Code enforcement violations	121	141	251	216	1,358	87
DUIs	103	75	96	97	91	94
Culture and recreation						
Parks and recreation attendees/participants:						
Youth sports participants	3,105	3,697	3,053	3,026	2,807	2,792
Dance and crafts - youth and adult	909	452	340	482	359	348
Trips	39	158	157	263	311	269
Senior centers	224	270	289	258	286	618
Playground programs	319	404	278	171	230	-
Registered special events	99	322	420	439	177	500
Open special events	N/A	N/A	2,978	3,125	2,172	3,840
Cooperative events	2,000	1,980	1,360	2,025	1,796	1,484
Ticket sales	N/A	N/A	2,091	3,109	1,042	3,801
Library:						
Volumes in collection *	172,450	185,271	184,428	190,330	106,381	168,219
Total volumes borrowed	231,077	241,225	245,487	248,132	253,816	257,650
Number of borrowers	16,421	17,325	16,181	17,563	19,535	22,079
Number of new borrowers added	2,438	2,642	2,560	2,564	2,198	2,512
Children's programs attendance	5,236	5,550	3,989	7,010	7,609	8,359
Library website hits	19,911	27,740	30,626	34,749	37,986	52,786
Public computer usage	9,008	16,503	18,563	20,724	41,757	44,792
Library visits	172,096	190,205	188,364	208,999	219,840	233,606
Number of adult and family programs	5	27	40	32	69	72
Adult program attendance	N/A	N/A	N/A	N/A	446	1,192
Number of children's programs	176	154	183	206	233	376
Component Unit - School Board						
Education:						
Actual school enrollment	8,592	8,630	8,557	8,517	8,485	8,341

Source: Library, Recreation & Parks and Sheriff's annual report to the Board of Supervisors

* Note: Volumes in collection declined in 2009 as inventory was reduced by either selling books or donating them to the public.

(1) The County implemented GASB Statement 44, the new statistical section in fiscal year 2005. Therefore, ten years of data is not available, but will be accumulated over time.

COUNTY OF CAMPBELL, VIRGINIA

Table 14

Capital Asset Statistics By Function
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety - insured vehicles										
Law enforcement vehicles	70	70	71	73	79	81	80	75	77	89
Other public safety	N/A	N/A	12	13	12	12	18	19	21	22
Public works										
Vehicles	N/A	N/A	26	27	29	27	29	32	19	19
Health and welfare										
Vehicles	N/A	N/A	26	28	29	29	29	29	29	28
Parks, recreation and cultural										
Vehicles	4	5	5	5	6	7	7	7	7	7
Other										
Vehicles	N/A	N/A	14	4	9	4	7	8	8	7

Source: Motor vehicle registration and Purchasing Department motor vehicle insurance reports

Increase in Law Enforcement vehicles in 2010 comes from a late year purchase of vehicles where the vehicles being replaced were not turned in until after the end of the fiscal year.

Decrease in Public Works in 2009 comes from Landfill being merged with the Regional Landfill Authority

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**To the Honorable Members of the Board of Supervisors
County of Campbell, Virginia**

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Campbell, Virginia's basic financial statements and have issued our report thereon dated November 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Campbell, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County of Campbell, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Campbell, Virginia's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Campbell, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we have reported to management of the County of Campbell, Virginia, in a separate letter dated November 19, 2010.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 19, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Members of the Board of Supervisors
County of Campbell, Virginia

Compliance

We have audited the County of Campbell, Virginia's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The County of Campbell, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Campbell, Virginia's management. Our responsibility is to express an opinion on County of Campbell, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Campbell, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Campbell, Virginia's compliance with those requirements.

In our opinion, the County of Campbell, Virginia complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the County of Campbell, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Campbell, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 19, 2010

COUNTY OF CAMPBELL, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 33,043
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	609,531
Refugee and Entrant Assistance - state administered programs	93.566	0500109/0500110	1,688
Low-Income Home Energy Assistance Program	93.568	0600409/0600410	26,060
Child Care and Development Block Grant	93.575	0770109/0770110	50,486
ARRA - Child Care and Development Block Grant	93.713	0740109/0780109	36,256
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	165,503
Chafee Education and Training Vouchers	93.599	9160108/9160109	7,744
Adoption Incentive Payments	93.603	1130108	4,557
Child Welfare Services - state grants	93.645	0900109/0900110	1,945
Foster Care - Title IV-E	93.658	1100109/1100110	241,506
ARRA - Foster Care - Title IV-E	93.658	1100109/1100110	9,283
Adoption Assistance	93.659	1120109/1120110	218,555
ARRA - Adoption Assistance	93.659	1120109/1120110	24,594
Social Services Block Grant	93.667	1000109/1000110	315,741
Chafee Foster Care Independence Program	93.674	9150108/9150109/9150110	12,995
Children's Health Insurance Program	93.767	0540109/0540110	26,367
Medical Assistance Program	93.778	1200109/1200110	347,076
Total Department of Health and Human Services			\$ 2,132,930
Corporation for National and Community Service:			
Direct Payments:			
Retired and Senior Volunteer Program	94.002		\$ 40,570
Total Corporation for National and Community Service			\$ 40,570
Department of Homeland Security:			
Direct Payments:			
Federal Emergency Management Agency:			
Emergency Food and Shelter National Board Program	97.024		\$ 24,947
ARRA - Emergency Food and Shelter National Board Program	97.114		24,881
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program	97.073	N/A	3,507
Emergency Management Performance Grant	97.042	N/A	13,222
Total Department of Homeland Security			\$ 66,557
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
National School Lunch Program - Food distribution	10.555	10.555/2010/2009	\$ 225,636
Department of Education:			
National School Breakfast Program	10.553	10.553/2010/2009	436,659
National School Lunch Program	10.555	10.555/2010/2009	1,371,705
ARRA - Child Nutrition Discretionary Grants	10.579	10.579/2009	24,285
Department of Social Services:			
State Administration Grants for the Supplemental Nutrition Assistance Program	10.561	00101109/0040109/0040110	585,467
ARRA - State Administration Grants for the Supplemental Nutrition Assistance Program	10.561	00101109/0040109/0040110	20,933
Total Department of Agriculture			\$ 2,664,685

COUNTY OF CAMPBELL, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Expenditures
Department of Justice:			
Direct Payments:			
Organized Crime Drug Enforcement Task Force - State and Local Overtime Grant	16.000		\$ 7,782
Public Safety Partnership and Community Policing Grants	16.710		49,350
Edward Byrne Memorial Justice Assistance Grant Program	16.738		12,052
ARRA - Edward Byrne Memorial Justice Assist Grant Program - Grants to Local Governments	16.804		55,554
Pass Through Payments:			
Virginia State Compensation Board:			
ARRA - Ed Byrne Memorial Justice Assistance Grant Program - Grants to States	16.803	09SUB9033	125,109
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grant	16.588	08WFX0050	39,950
Crime Victim Assistance	16.575	08VAGX0017/09VAGX0007	108,477
Juvenile Justice and Delinquency Prevention	16.540	08JFFX0038	21,675
Total Department of Justice			\$ 419,949
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	154AL-10502323852	\$ 36,874
Total Department of Transportation			\$ 36,874
Department of Housing and Urban Development:			
Direct Payments:			
Section 8 Housing Choice Vouchers	14.871		\$ 46,592
Total Department of Housing and Urban Development			\$ 46,592
National Foundation on the Arts and the Humanities			
Pass Through Payments:			
The Library of Virginia:			
E-Rate of Virginia	45.310	N/A	\$ 3,980
Total National Foundation on the Arts and the Humanities			\$ 3,980
Department of Education:			
Pass Through Payments:			
Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	S394A090047	\$ 4,448,624
Title I: Grants to Local Educational Agencies	84.010	S010A090046	1,190,516
ARRA - Title I: Grants to Local Educational Agencies	84.389	S389A090046	661,781
Title VI-B: Special Education - Grants to States	84.027	H027A080107	1,455,519
ARRA - Title VI-B: Special Education - Grants to States	84.391	H391A090107	951,748
Adult Education Grants to States	84.002	N/A	45,501
Career and Technical Education - Basic Grants to States	84.048	V048A090046	133,488
Title VI-B: Special Education Preschool Grants	84.173	H173A090112	38,695
ARRA - Title VI-B: Special Education Preschool Grants	84.392	H392A090112	33,942
Safe and Drug-free Schools and Communities - State Grants	84.186	Q186A090048	28,918
Education Technology State Grants	84.318	S318X070046	11,584
Title II, Part A: Improving Teacher Quality	84.367	S367A080044	303,006
ARRA - Education Technology State Grants	84.386	S386A090046	30,707
English Language Acquisition Grants	84.365	T365A080046	8,117
Total Department of Education			\$ 9,342,146
Total Federal Assistance			\$ 14,754,283

COUNTY OF CAMPBELL, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2010

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the County of Campbell, Virginia under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Campbell, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Campbell, Virginia.

Note 2 - Basis of Accounting

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles provided in OMB Circular A-81, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 3,353,850
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Total primary government	\$ 3,353,850
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Component Unit Public Schools:

School Operating Fund	\$ 9,342,146
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School Cafeteria Fund	2,058,287
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Total component unit public schools	\$ 11,400,433
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Total federal expenditures per basic financial statements	\$ 14,754,283
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 14,754,283
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COUNTY OF CAMPBELL, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) indentified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) indentified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.561	State Administration Grants for the Supplemental Nutrition Assistance Program
10.561	ARRA - State Administration Grants for the Supplemental Nutrition Assistance Program
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant Program
93.658	Foster Care - Title IV-E
93.658	ARRA - Foster Care - Title IV-E
93.558	Temporary Assistance for Needy Families (TANF)
93.575	Child Care and Development Block Grant
93.713	ARRA - Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.659	Adoption Assistance
93.659	ARRA - Adoption Assistance
93.667	Social Services Block Grant
84.010	Title I: Grants to Local Educational Agencies
84.389	ARRA - Title I: Grants to Local Educational Agencies
84.027	Title VI-B: Special Education - Grants to States
84.391	ARRA - Title VI-B: Special Education - Grants to States
84.173	Title VI-B: Special Education Preschool Grants
84.392	ARRA - Title VI-B: Special Education Preschool Grants
84.394	State Fiscal Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$ 442,628
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings and Questioned Costs

There are no prior year findings and questioned costs to report.